



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 21** HLS 161ES 145
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 16, 2016 6:45 PM	Author: BROADWATER
Dept./Agy.: Revenue	
Subject: Cap on Vendor Compensation claims	Analyst: Deborah Vivien

TAX/SALES & USE OR +\$6,700,000 GF RV See Note Page 1 of 1
 Provides for the amount of vendors (dealers) compensation payable for the collection and remittance of state sales and use taxes (Item #21)
Current law allows dealer collecting sales tax on behalf of the state to retain 0.935% of taxes collected as compensation for timely remittance. There is no limit to th total amount of vendor compensation that may be received.

Proposed law caps the annual vendor compensation payment at \$10,000 per year per dealer with one or more business locations in the state at the current rate of 0.935% of remittances , then an additional \$10,000 per year at the rate of 0.5% of remittances. The total vendor compensation cap in this bill is \$20,000 per year per dealer. The bill is effective on April 1, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$6,700,000	\$6,700,000	\$6,700,000	\$6,700,000	\$6,700,000	\$33,500,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$6,700,000	\$6,700,000	\$6,700,000	\$6,700,000	\$6,700,000	\$33,500,000

EXPENDITURE EXPLANATION
 The Department of Revenue indicates that implementation costs could be significant but will be absorbed in the current budget. The Office of Motor Vehicles also indicates significant costs will be involved given the structure of the current system.

REVENUE EXPLANATION
 According to the Department of Revenue, in FY15, 319 corporate entities acted as dealers on behalf of the state and retained more than \$10,000 in vendor compensation. The total amount of vendor compensation less \$10,000 for each of these vendors was about \$8.4M. The bill allows an additional maximum payment of \$10,000 per year at a reduced rate of 0.5% of remittances. This additional payment will lower the \$8.4M savings by \$1.7M for a net savings of \$6.7M. The bill is effective April 1, 2016, allowing 3 months of increased net sales tax receipts in FY 16, estimated at \$1.7M.

A vendor's compensation payment of \$20,000 as defined in this bill is associated with about \$77.7M in annual sales and \$3.1M in sales tax remittances. In interpreting this bill, the Department allowed one vendor compensation payment of \$20,000 per corporate entity, not per location.

Vendor compensation analysis has typically not included motor vehicle sales tax. Total vendor compensation for vehicle dealers under current law would be approximately \$2 million per year. To the extent the cap imposed by this bill is applied to vehicles dealers, some additional net revenue gain to the state would occur.

The bill as written appears to exclude remote sellers collecting on behalf of the state from any vendor compensation payment. This appears to be unintended, and the fiscal note does not include a value for this component.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Gregory V. Albrecht
Chief Economist