

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 52** HLS 161ES 119
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 16, 2016 6:49 PM	Author: ABRAMSON
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Cap on Vendor Compensation claims	

TAX/SALES & USE OR +\$10,700,000 GF RV See Note Page 1 of 1
 Provides for the amount of dealer's compensation 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 the total amount of vendor compensation that may be received.

Proposed law retains current law but caps the annual vendor compensation payment at \$5,000 per year per dealer with one or more business locations in the state. The bill is effective on April 1, 2016.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
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	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$10,700,000	\$10,700,000	\$10,700,000	\$10,700,000	\$10,700,000	\$53,500,000
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	\$10,700,000	\$10,700,000	\$10,700,000	\$10,700,000	\$10,700,000	\$53,500,000

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, 637 corporate entities acted as dealers on behalf of the state and retained more than \$5,000 in vendor compensation. The total amount of vendor compensation less \$5,000 for each of these vendors was about \$10.7M, which is the estimated increase in net sales tax receipts as a result of this bill. The bill is effective April 1, 2016, allowing 3 months of increased receipts in FY 16, estimated at \$2.7M.

A vendor's compensation payment of \$5,000 is associated with about \$13.4M in annual sales and \$532,000 in sales tax remittances. In interpreting this bill, the Department allowed one vendor compensation payment of \$5,000 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.

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| <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} | |

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