

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 54** HLS 161ES 143
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

Date: February 18, 2016 3:01 PM	Author: BROADWATER
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Advanced deposit for sales tax	

TAX/SALES & USE OR SEE FISC NOTE GF RV Page 1 of 1
 Requires the advance payment of sales tax (Item #35)

Current law directs retail vendors to collect and remit the 4% sales tax on behalf of the state on a monthly basis. Remittances are due on the 20th day of the month following the sale.

Proposed law directs vendors with sales tax remittances greater than \$20,000 per month in the preceding tax year to pay a deposit of 75% of estimated June remittances each year beginning in 2016. The payment will be due by June 25 and based on anticipated remittance of taxes collected between June 1 and June 20 or 2/3 of the month. The vendor would then be allowed to net this deposit out of future remittances beginning in July. Effective upon governor's signature.

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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The bill is effective upon signature, which means it could become effective in the middle of a month, which may complicate implementation. Any additional costs, which could be material, will be absorbed in the current agency budget.

REVENUE EXPLANATION

There are about 1,500 vendors that had gross remittances of \$20,000 per month in June of 2015, the most accessible data to date. These vendors will be required to pay a deposit based on 75% of anticipated taxes collected between June 1 and June 20. Last June, these vendors remitted a total of \$144M in sales tax. If this deposit had been required last June and all vendors complied timely, the state would have received \$75M in what amounts to advance sales tax remittances. This amount would be netted out of future payments but will allow the state to collect this additional amount in each fiscal year, essentially moving payments from one fiscal year into an earlier fiscal year.

An increase in state receipts estimated to be about \$75M will only happen with certainty in FY 16 since the deposit is ultimately netted out of the following years' payments, assuming annual sales tax remittances remain consistent. In years of increasing sales tax remittances, the amount netted from collections could be less than the June deposit at the end of the fiscal year, which could increase state receipts. Conversely, if sales taxes decline over the year, the netted amount could be in excess of the end of year deposit, which would decrease state receipts.

This bill includes sales tax remittances collected by the Office of Motor Vehicles, which could add significantly to the total, depending on how many dealers remit \$20,000 per month. Time did not allow for analysis of this component.

If the deposit amount is based on remittances after the vendor compensation reduction, estimated effects will be somewhat smaller.

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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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