

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 65** HLS 161ES 135
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 18, 2016 3:00 PM	Author: MONTOUCET
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Advanced payment of sales tax	

TAX/SALES & USE OR INCREASE GF RV See Note 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. Retail dealers are allowed a vendor's compensation payment of 0.935% of sales tax remitted.

Proposed law directs sales tax to be collected and remitted at the wholesale level by manufacturers, wholesalers, jobbers or suppliers (with certain exclusions) based on the wholesale price. Taxes collected through the Office of Motor Vehicles are excluded. The dealer would then collect the 4% tax upon retail sale, report the full amount collected and be eligible for a credit in the amount of sales tax already paid to the wholesaler for that item. Vendor's compensation of 0.935% is available on the full price of both the wholesale and retail sale for timely payment and filing. Locals are prohibited from requiring advanced payment of sales tax. 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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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

This bill does not change sale tax liabilities but could serve to accelerate sales tax remittances by collecting a portion of the tax on the wholesale transaction. The remainder of the sales tax remittance would be delayed until the retail sale occurred. According to the agency, compliance could also improve as auditing at the wholesale level could be more efficient than the retail level. A wholesale dealer is a person whose retail sales constitute less than 50% of total annual sales in Louisiana.

An absolute figure is inestimable as it is not immediately clear what assumptions can be made concerning the timing of sales from the wholesaler to the retailer. Assuming the bill becomes effective April 1, 2016, remittances on April 20 will include advanced sales payments from wholesalers as well as the normal retail sales remittances. It is not clear what portion of wholesale purchases will be offset by retail credits in the first month. It stands to reason that there will be an increase in state receipts for the first few months based on the remittance at the wholesale level. However, this increase will be mitigated by a vendor's compensation duplication whereby the wholesaler is allowed 0.935% of remittance and the retailer is also allowed 0.935% on the gross sales prior to the prepayment credit. The net effect of the bill is expected to be an increase in state receipts due to both timing (in the early months of implementation) and stronger compliance for the duration of the policy.

Advanced sales tax collection is prohibited at the local level.

Advanced payment of sales tax was state policy until 2009 (phased out by Act 393 of 2007) but is no longer authorized. Dealers making purchases for resale are issued a resale certificate as a means to document the sales tax liability toward the retail sale.

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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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