



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 60** HLS 161ES 148
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 21, 2016 11:04 AM	Author: HAVARD
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Imposes sales tax on some food and beverages	

TAX/SALES-USE-EXEMPT OR INCREASE GF RV See Note Page 1 of 1
 Provides with respect to the sales of certain food and beverages at convenience stores (Item #36)

Current Law constitutionally exempts sales tax on purchases of food and beverages for home consumption, which are defined in part as package foods requiring further preparation by the purchaser, regardless of the location of the purchase.

Proposed Law statutorily imposes a 4% sales tax on purchases of food and beverages from convenience stores by declaring these items neither food for home consumption nor package food requiring further preparation by the purchaser. A convenience store is defined as a small retail business with primary emphasis on convenience. Sales must consist primarily of motor fuels and lubricants, snack food, beer, wine, tobacco products, soft drinks, fishing bait, newspapers, magazines without specialization.

Effective 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.	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

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department indicates that any implementation costs will be absorbed in the current budget. Though the cost of this bill is minimal, the aggregate impact of all session bills may require additional resources.

REVENUE EXPLANATION

According to the Department of Revenue, there are about 18,000 taxpayers identified as convenience stores based on a NAICS code of 445 (food and beverage stores) and 447 (gasoline stations) after removing groceries. Reported sales of food for home consumption were about \$23.6M in FY 15, though this figure is may be an unreliable estimate of the affected tax base in that it does not account for miss-filings, grocery stores unknowingly included, or other data discrepancies. In the bill, a convenience store is defined essentially as a store smaller than a grocery that is convenient, which may be somewhat objective as audit or enforcement criteria, and not necessarily consistent with the figure above.

The taxation of purchases of food in convenience stores would be expected to generate a material amount in state general fund annually, although a specific dollar amount of collections can not be reliably estimated. In FY 16, about a quarter of the year would be taxable, and revenue would likely materialize gradually as compliance and understanding improve. However, the definition of convenience store is vague and could significantly vary the number of locations to which the tax would be applicable, which would imposes significant error into any fiscal impact estimate.

Note: The State Constitution does not predicate the food for home consumption exemption upon location of the purchase.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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