

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 72** HLS 161ES 75
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Increases the sales tax on telecommunications	

TAX/SALES-USE, STATE EN +\$2,200,000 GF RV See Note Page 1 of 1
 Increases the state sales tax on telecommunications services (Item #24)

Current law authorizes a 2% sales tax on interstate telecommunication services (decreasing to 1% on 4/1/16) and a 3% sales tax on intrastate telecommunications. After 0.935% retained in vendor compensation, dedications include 36% (established by LDR rule) to the Telephone Company Property Assessment Relief (TCPAR) Fund to be used for payment of telephone company property tax credits and 0.4% to the LED Fund.

Proposed law removes the 4/1/16 expiration of the 1% sales tax on interstate communications, which will leave the total state sales tax on interstate communications at 2%, the current rate.

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	\$0	\$0	\$0	\$0	\$0	\$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.	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000	\$11,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$6,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$3,400,000	\$3,400,000	\$3,400,000	\$3,400,000	\$3,400,000	\$17,000,000

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

In FY 15, telecommunication sales tax collections for interstate and intrastate telecommunications of landline, wireless and prepaid wireless services were collected on sales of about \$1.8B with about \$340M of that on interstate calls. If the sales tax rate for telecommunications services is increased by 1% on intrastate telecommunication sales, collections are expected to increase annually by \$3.4M. Though most collections are deposited to the general fund, 36% of the collections after vendors compensation are dedicated to the Telephone Company Property Assessment Relief Fund (\$1.2M). The increase in revenue due to the bill is shown below (\$ millions):

	Annual Impact	FY 16
Gross Collections	3.4	0.9
36% to TCPAR Fund	(1.2)	(0.3)
Net to State General Fund	2.2	0.6

Based strictly on a quarterly calculation of the annual estimate, FY 16 SGF is expected to increase by \$0.9M with dedications to the TCPAR Fund of \$300,000. The first FY 16 collections affected by this bill will be due May 20.

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| Senate | <u>Dual Referral Rules</u> | House |
| <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 checked="" 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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