

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 9** HLS 15RS 1105
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 28, 2015 6:55 PM	Author: SMITH, P.
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Suspends Business Utilities Sales Tax Exemption for 1 year	

TAX/SALES & USE OR +\$421,000,000 GF RV See Note Page 1 of 1
 Suspends the state sales and use tax exemption for business utilities

Current law exempts from 4% state sales tax the purchase of electricity, steam and water by industrial users (business utilities).

Proposed law suspends the business utilities exemptions during FY 16.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$421,000,000	\$0	\$0	\$0	\$0	\$421,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$7,200,000	\$0	\$0	\$0	\$0	\$7,200,000
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	\$428,200,000	\$0	\$0	\$0	\$0	\$428,200,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill is estimated to increase SGF by about \$421M in FY 16. State sales tax on business utilities is imposed (though currently exempted) at a rate of 3.97% to the state and 0.03% dedicated to the Tourism Promotion District. In addition, vendor compensation of 0.935% of sales tax remitted is retained for timely payment. According to the Tax Exemption Budget estimate for FY 16, which assumes a 2% growth rate from FY 14 reported exemptions, suspending the business utilities exemptions would generate an estimated \$429M in Sales Tax Revenue with \$7.2M dedicated as TPD or retained as vendor compensation. As a result, \$421M is the net estimate of the SGF increase due to this bill.

Estimated Increase in Sales Tax Revenue	\$428,604,000
less:	
Tourism Promotion District Dedication	(3,214,530)
<u>Additional Vendor's Compensation</u>	<u>(4,007,447)</u>
Net SGF Increase from Business Utilities Exemption Suspension	\$421,000,000
(rounded)	

Collections are likely to be low in the first month or two of this suspension, then ramp up as compliance improves. A material portion of what is foregone at the beginning of the fiscal year will be recouped in the accrual period at the end of the fiscal year.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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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