

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 63** HLS 17RS 685
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 11, 2017 1:58 PM	Author: HARRIS
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales/Use Tax, Advance Collection Alcohol/Tobacco	

TAX/SALES & USE EG INCREASE GF RV See Note Page 1 of 1
 Requires the advance collection of state sales and use tax from alcohol and tobacco wholesale dealers.

Current law does not subject taxpayers to advance tax collection provisions. Prior to January 1, 2009, sales tax law directed advance collection of sales tax by manufacturers, wholesalers, jobbers, and suppliers for items sold for resale.

Proposed law directs alcohol and tobacco wholesale dealers to collect and remit advance sales tax from retailers. Retailers will then credit any taxes paid from those remitted for retail sales. The wholesaler is allowed to retain 0.935% as vendor compensation for timely filing and payment. The bill also prohibits advance collections of local sales tax.

Effective October 1, 2017.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$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

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	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 Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

The proposed bill would only affect revenues in the first several weeks after taking effect. When the first month of advance taxes are remitted to the state, they will augment the typical sales taxes being remitted. Some portion of the sales taxes that would have been collected the following month will be collected earlier, and in this way advance collections can result in a one-time increase in collections in the first fiscal year of implementation.

Some evidence for an observable magnitude of the revenue impact of advance tax collections was sought from the period when advance sales tax collections were eliminated in January 2009 for the general sales tax. For January 2009 and the months prior and following it, collections data reveal no identifiable change in the amount of collections that can be attributed to the elimination of advance collections. Due to this observation and the focus on alcohol and tobacco wholesalers in this bill, the revenue impact of this provision is expected to be relatively small; within the range of normal monthly variation of the tax.

LDR also indicates that collections over time may be improved through more efficient audit enforcement under an advance tax system. Any such revenue gains are speculative and dependent on enforcement resources and effort, but to the extent enforcement and compliance are enhanced, the bill can only work to increase collections by some amount.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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