LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 981** HLS 16RS 1384
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

REVISED

Date: April 12, 2016 9:16 AM
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Dept./Agy.: Revenue
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Subject: Advanced sales tax for alcohol and tobacco sales

TAX/SALES-USE, STATE OR SEE FISC NOTE GF RV See Note

Requires collection of advance payment of the state sales and use tax by certain tobacco and alcoholic beverage wholesalers

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.

Proposed law directs alcohol and tobacco wholesalers to collect and remit advance sales tax from retailers. Retailers will then credit any taxes paid from those remitted for retail sales. Both the wholesaler and the retailer are allowed to retain 0.935% as vendor compensation for timely filing and payment. The bill prohibits local sales tax collections at the wholesale level.

EXPENDITURES	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total		**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The department indicates that initial expenses of $120,000 might be incurred for implementation, including the production of a new sales tax form and system development and testing. Note: The bill is effective upon signature, which means it could become effective in the middle of a month, which may complicate implementation and cost. Presumably, the Department of Revenue will implement the bill's provisions from the beginning of a month or the beginning of the new fiscal year to facilitate ease of transition to this new tax collection method for these vendors.

REVENUE EXPLANATION

Alcohol and tobacco wholesalers are directed to collect and remit advance payment sales tax from the retailer, who will then be eligible for a refund on taxes remitted from retail sales. The timing of the first remittance by the wholesaler in relation to the deduction of taxes paid from remittances of the retailer will determine whether the first months' advance payment will effectively be additional revenue to the state for a fiscal period. In addition, if the first two months of implementation fall within the same fiscal year, it should have little net impact to state revenue since all deductions of advance sales tax will presumably be taken by the retailers. The bill is effective upon signature, which means it could become effective in the middle of a month and may complicate implementation. It is not clear whether collection at the wholesale level will necessarily lead to more accurate remittances. It is possible that could occur. However, retailers who may be remitting inaccurately could continue to do so, even with this bill's provisions, unless an audit effort is directed to them.

Wholesalers are authorized to retain 0.935% of the amount to be remitted as vendors' compensation on the original 4% sales tax imposition. Retailers are allowed to retain 0.935% of the gross remittance prior to deducting sales tax paid to the wholesaler on the original 4% sales tax imposition*. Thus, vendors' compensation is paid twice on the same item, once at the full wholesale price and once at the full retail price.

* Act 15 of the 2016 First Extraordinary Session (ES1) only allows vendors' compensation on the original 4% of sales tax, not on the new penny of Act 26 of 2016 ES1 or any other new sales tax imposed by the state.

Senate | Dual Referral Rules | House

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

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

☐ 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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