

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2223-01
Bill No.: HB 936
Subject: Revenue Dept.; Taxation and Revenue – General; Taxation and Revenue – Sales and Use
Type: Original
Date: April 13, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	Unknown	Unknown	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Various State Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Revenue (DOR)** assume this legislation requires that retail sales tax licenses be renewed every two years. In order for a license to be renewed, the taxpayer must pay all tax due (sales, use, and withholding taxes) in accordance with the law plus any interest and penalties that may be due. DOR's Division of Taxation would be required to create a "license renewal" program to automatically generate a license for businesses having no delinquencies.

If the taxpayer has delinquencies and clears their account at a DOR field office or through our Tax Clearance Section, there would be no problem tracking and renewing their license. However, if the taxpayer submits tax due plus interest and penalties for a previous period to our Sales Tax Processing Section along with a current return and payment, Taxation would need to be able to distinguish that the additional payment submitted was to clear the account, therefore, allowing us to renew the sales tax license.

DOR anticipates programming will be needed to implement the provisions of this proposal (requiring 1,557 programming hours for a cost of \$51,942). The initial mailing, whether to renew a license or to mail a delinquency notice and denial of the renewal, for 170,000 sales tax accounts, is expected to cost \$54,400. Estimating that approximately 20,000 of those accounts

ASSUMPTION (continued)

will be delinquent, the cost to reprint 150,000 sales tax licenses would cost Taxation an additional \$3,000 every two years.

DOR estimates that it has approximately \$40 million in current sales tax delinquencies. It expects to collect about 50% of that through current collection efforts. DOR assumes that renewal of the sales tax licenses would help it collect at least some of the remaining \$20 million; assuming success in collecting half of the remaining delinquency would result in an additional \$10 million in state revenues, but cannot estimate an annual rate of collections.

Oversight assumes this proposal would prompt businesses to bring delinquent sales tax accounts to current status, thus generating an increase in General Revenue, as DOR assumes. However, **Oversight** cannot speculate the amounts of such delinquent funds that would be collected during the respective fiscal years spanning the range of this note.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Income</u> – Delinquent Sales Tax Collections	Unknown	Unknown	Unknown
<u>Cost</u> – DOR			
Postage	(\$54,400)	\$0	\$0
License Paper	(\$3,000)	\$0	\$0
Programming	(\$51,942)	<u>\$0</u>	<u>\$0</u>
Total Cost – DOR	<u>(\$109,342)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
OTHER STATE FUNDS			
<u>Income</u> – School District Trust Fund Delinquent Sales Tax Collections	Unknown	Unknown	Unknown
<u>Income</u> – Conservation Fund Delinquent Sales Tax Collections	Unknown	Unknown	Unknown
<u>Income</u> – Parks and Soil Fund Delinquent Sales Tax Collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<u>Income</u> – Cities and Counties Delinquent Sales Tax Collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

Small businesses that owe delinquent sales taxes would be requires to pay such obligation prior to a biennial renewal of their sales tax licenses as a result of this proposal.

DESCRIPTION

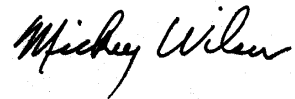
This legislation requires that sales tax licenses be renewed every two years.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
April 13, 2005