

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2715-01
Bill No.: HB 796
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: December 19, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$10,000,000	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$10,000,000	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this legislation requires all businesses receiving a refund of over-collected taxes to return that overpayment to the business' customers. Even though additional documentation will be required prior to refunding, to verify that the refund is being returned to the purchaser, DOR assumes there would be no fiscal impact.

In a similar prior proposal, DOR assumed this legislation could result in a decrease in sales tax refunds the first fiscal year of approximately \$10 million. DOR assumed there would be minimal programming changes that could be completed with existing resources. Therefore, **Oversight** will show the revenue impact for FY05 of \$10 million and zero for FY06 and FY07. Also, **Oversight** assumes DOR can complete any minor changes to the refund mechanism in MITS with existing resources.

This legislation could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005	FY 2006	FY 2007
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GENERAL REVENUE FUND

<u>Revenue - General Revenue Fund</u>			
Reduction in sales tax refunds	<u>\$10,000,000</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$10,000,000</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005	FY 2006	FY 2007
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This legislation will affect all businesses that collect sales tax. It requires all businesses that receive a refund of over-collected taxes, to refund that money to their customers; verses keeping that overpayment as their own.

DESCRIPTION

This bill requires that any request for a refund of sales taxes by a person who collects and remits the tax will only be granted if he or she demonstrates to the satisfaction of the Director of the Department of Revenue that the amount will be refunded or credited to the purchaser who originally paid the sales tax. The restriction will not apply if the person seeking the refund shows to the director's satisfaction that he or she originally paid the tax and that it was not collected from purchasers.

The bill also allows the person legally obligated to remit the tax to generally refund any amount of over-collected sales and use taxes in equal installments to the person's future customers by distribution of a fixed value coupon to the customers. The person legally obligated to remit the tax must submit a plan to the Department of Revenue to qualify.

DESCRIPTION (continued)

The bill contains an emergency clause.

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

SOURCE OF INFORMATION

Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
December 19, 2003