

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0780-01
Bill No.: HB 223
Subject: Revenue, Department of; Business and Commerce; Taxation and Revenue - Sales and Use
Type: Original
Date: January 27, 2017

Bill Summary: This proposal would authorize a sales tax refund for businesses that were assessed higher taxes without notice as a result of the Department of Revenue changing its interpretation of taxable items before August 28, 2015. Limited to \$5 million aggregate.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(Up to \$5,000,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	(Up to \$5,000,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> 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 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow businesses to receive a refund for 100% of the assessed sales and use taxes after a DOR audit when the DOR expanded its interpretation of taxable items, if the taxes were not collected from the taxpayer's customers. Refunds would be allowed for tax assessments made from August 28, 2005 through August 28, 2015.

BAP officials noted a total of \$5.0 million in refunds would be allowed under this proposal and assumed the full \$5.0 million would be claimed during FY 2018, the first fiscal year refunds would become available.

BAP officials stated this proposal would reduce total state revenues by \$5.0 million in FY 2018 and would impact the revenue limit calculation under Article X, Section 18(e).

Oversight will include an impact up to the maximum allowable total of \$5 million in FY 2018.

Officials from the **Office of Administration - Administrative Hearing Commission** and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

	FY 2018 (10 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>			

GENERAL REVENUE FUND

Revenue reduction - DOR

Sales tax refunds for certain businesses that were assessed by the Department of Revenue.

(Up to \$5,000,000)	\$0	\$0
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

(Up to \$5,000,000)	\$0	\$0
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which qualify for the refund.

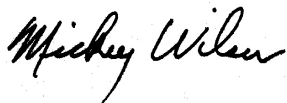
FISCAL DESCRIPTION

This bill requires the Department of Revenue to refund the sales tax paid in a ten-year period between 2005 and 2015 as a result of an audit when the department expanded its interpretation of sales tax law and the taxpayer did not collect the tax from its customers. The total amount that can be refunded under this bill is \$5 million.

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

SOURCES OF INFORMATION

Office of Administration
Administrative Hearing Commission
Division of Budget and Planning
Department of Revenue



Mickey Wilson, CPA
Director
January 27, 2017

Ross Strobe
Assistant Director
January 27, 2017