

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6832-01  
Bill No.: HB 2723  
Subject: Taxation and Revenue - Sales and Use; Business and Commerce; Taxation and Revenue - General; Revenue, Department  
Type: Original  
Date: April 12, 2016

Bill Summary: This proposal changes the laws regarding sales tax and withholding tax retention.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Transportation Infrastructure Fund*	\$30,000,000	\$90,000,000	\$90,000,000
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$30,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>

\* Revenue and expenses net to zero.

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

**Oversight** notes that businesses that collect sales taxes and income tax withholding are allowed to retain a fee for prompt remittance. This proposal caps the amount that can be retained and transfers the additional monies to the Transportation Infrastructure Fund.

**Oversight** assumes all monies deposited into the Transportation Infrastructure Fund will be appropriated according to the proposal.

**Oversight** assumes that based upon total sales tax collected and remitted along with state income tax withheld and remitted, as much as \$90,000,000 represents the deduction allowed to retailers and employers in excess of the limits provided for in the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (4 Mo.)	FY 2018	FY 2019
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### **TRANSPORTATION INFRASTRUCTURE FUND**

<u>Revenue</u>			
DOR remittance	\$30,000,000	\$90,000,000	\$90,000,000

### **ESTIMATED NET EFFECT ON TRANSPORTATION INFRASTRUCTURE FUND**

	<u>\$30,000,000</u>	<u>\$90,000,000</u>	<u>\$90,000,000</u>
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FISCAL IMPACT - Local Government

FY 2017  
(4 Mo.)

FY 2018

FY 2019

\$0

\$0

\$0

FISCAL IMPACT - Small Business

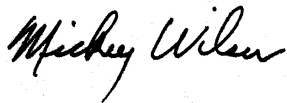
Small businesses that are currently allowed to retain more than \$1,500 of state sales tax collected or more than \$1,500 income tax withholding or both, would be expected to experience a negative impact as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation caps the deduction for timely filing sales tax and withholding tax returns both at \$1,500, per person per year and deposits the amount of money that exceeds the cap into the newly created Transportation Infrastructure Fund, to be appropriated by the General Assembly for the state's transportation infrastructure.

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



Mickey Wilson, CPA  
Director  
April 12, 2016

Ross Strobe  
Assistant Director  
April 12, 2016