

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3754-01
Bill No.: HB 1582
Subject: Business and Commerce; Taxation and Revenue - General, Sales and Use
Type: Original
Date: February 6, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$155,726 to Unknown)	(\$150,659 to Unknown)	(\$154,441 to Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(\$155,726 to UNKNOWN)	(\$150,659 to UNKNOWN)	(\$154,441 to UNKNOWN)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this legislation requires sellers to accept in good faith any sales tax exemption letter or certificate. This will require the Division of Taxation and Collection to be current on refunds, with the ability to assess each purchaser immediately in order to keep the statute of limitations from running out. In order to do this, the Business Tax Refund Section will need 5 FTE (Tax Processing Technician I). This legislation will put the burden of proof on DOR.

DOR assumes the proposed legislation does not distinguish between accepting in good faith for assessment purposes versus refund purposes. If this were enacted, DOR would have to refund to the seller, even if the exemption certificate were on an issue that was being pressed by a consultant and DOR would not necessarily have any recourse in getting it from the purchaser if the periods were out of statute. Under this legislation, DOR would have to refund, even though the issue was not valid, much of which DOR could not recoup from the purchaser because it is out of statute.

Officials of the **Office of Administration, Administrative Hearing Commission (AHC)** assume this proposal would not fiscally impact their agency.

This legislation would decrease Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Sales tax refunds on invalid issues	(Unknown)	(Unknown)	(Unknown)
 <u>Cost - Dept. of Revenue</u>			
Personal Service (5 FTE)	(\$88,300)	(\$108,609)	(\$111,324)
Fringe Benefits	(\$31,797)	(\$39,110)	(\$40,088)
Expense and Equipment	<u>(\$35,629)</u>	<u>(\$2,940)</u>	<u>(\$3,029)</u>
Total Costs - DOR	<u>(\$155,726)</u>	<u>(\$150,659)</u>	<u>(\$154,441)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$155,726 to UNKNOWN)</u>	<u>(\$150,659 to UNKNOWN)</u>	<u>(\$154,441 to UNKNOWN)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

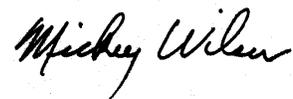
DESCRIPTION

This bill requires a retailer to accept an exemption certificate or letter issued by the Department of Revenue when presented by a purchaser. Acceptance of the letter or certificate will relieve the seller of any liability from exempting the sales to the purchaser.

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

Department of Revenue
Office of Administration
Administrative Hearing Commission



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