HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2000 **PRINTERS NO**. 3496 **PRIME SPONSOR**: Quinn

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	**See Fiscal Impact**	**See Fiscal Impact**

SUMMARY: House Bill 2000, Printer's Number 3496, amends the Tax Reform Code, in sales and use tax, further providing for time for filing returns and for time of payment.

ANALYSIS: Act 48 of 2009 added sections to the Tax Reform Code providing that monthly sales tax licensees with third quarter tax reported in the preceding calendar year equal to or exceeding $25,000 must file two reports and make two payments a month. The first report and payment was due on the 25th for taxes collected on the 1st through the 15th of the month and the second report and payment was due on the 10th of the following month for taxes collected from the 16th to the end of the month.

Act 26 of 2011 added Section 202.2 to the Fiscal Code which changed the reporting and filing requirements to one report and one payment on the 20th of the month. The payment due on the 20th of the month shall include an amount equal to 50% of the tax liability for the same month in the preceding calendar year.

This legislation amends the Tax Reform Code maintaining the one report and one payment provision due on the 20th of the month and provides the licensee with an alternative payment option to the current 50% of the tax liability for the same month of the preceding calendar year. Specifically, in the event that the same month of the preceding calendar year is not reflective of the monthly sales of the licensee in the current year, the licensee is permitted to remit a lesser amount as long as the amount paid is equal to or greater than 50% of the total tax liability required to be reported for the same month. The alternative payment provision added in this legislation would apply to tax returns due after May 31, 2012.

The legislation incorporates changes made in Act 26 of 2011 into the Tax Reform Code and repeals Section 202.2 of the Fiscal Code. Technical language is added in the Tax Reform Code clarifying that the new language is a continuation of the language that is repealed.

The act shall take effect immediately.

FISCAL IMPACT: This legislation provides businesses with an option for the prepayment of sales taxes. A licensee with a tax liability for the same month of the preceding calendar year which is not reflective of the sales of the current month is permitted to remit a lesser amount as long as the lesser amount paid as the prepayment is equal to or greater than 50% of the total tax liability required to be reported for the same month. It is unknown how many licensees would take advantage of the provision. To the extent that a licensee pays a lesser amount in June 2012, there will be a one-time shift of payments from June 2012 to July 2012 resulting in a reduction in revenue to the General Fund in 2011-12. For fiscal year 2012-13 and each fiscal year thereafter, the changes made in the legislation will have a minimal impact as any additional revenues shifted to July from the previous fiscal year will be offset by any revenues shifted from June into the succeeding fiscal year.

According to information provided by the Department of Revenue (DOR) there are 9,126 sales tax licensees required to make prepayments under current law. Such prepayments are estimated to generate $283 million in June 2012 from the required prepayment of 50% of the prior year's tax liability. DOR further estimates that if every licensee took advantage of the provisions of House Bill 2000 and paid an amount equal to 60% of the current month when remitting its sales tax payment on June 20, 2012, the prepayment in June 2012 would be reduced by $15.9 million, or approximately $1,700 per licensee. If a licensee does not pay an amount equal to 50% of the prior year's tax liability and the amount of the prepayment is calculated to be less than 50% of the total tax liability for the same month, the licensee would be subject to underpayment penalties as currently provided in law. For this reason, it is assumed that some licensees will simply pay the safeharbor of 50% of the prior year as currently provided in law and not take the risk of underpayment in the option provided in this legislation. If 10% of the licensees take advantage of the provision and pay at least 60% of the same month's actual liability it is estimated that the revenue loss in 2011-12 would be $1.59 million.

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House Appropriations Committee (R)

DATE: May 8, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.