

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:50 a.m. on March 16, 2004, in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

None

Others attending:

See Attached List.

Senator Corbin called the Committee's attention to the minutes of the March 10 meeting.

Senator Donovan moved to approve the minutes of the March 10, 2004, meeting, seconded by Senator Buhler. The motion carried.

Discussion and possible action on previously heard bill: **SB 532—Sales tax remittance credit, income tax credit, waiver of penalty and time for returns and payment of tax**

Chris Courtwright, Legislative Research Department, distributed copies of sales tax runs related to the Streamlined Sales Tax Project prepared by Richard Cram, Department of Revenue. (Attachment 1) He explained that **SB 532** would provide an allowance for retailers to retain part of their sales tax receipts. In its present form, the bill provides that a credit of 0.5% up to a maximum of \$1,000 per month which would begin in July 2006. The 2007 fiscal note would be approximately \$7.5 million. Mr. Courtwright followed with a brief summary fiscal notes related to five other credit and cap options shown on the handout. Mr. Cram confirmed that the list of sales tax runs is for monthly filers, but the fiscal note for the bill included all filers. If quarterly and annual filers are added to the runs shown on the handout, another \$1 million to \$2 million would be added to the fiscal note.

Senator Corbin noted that the Streamlined Sales Tax Agreement provides that out-of-state retailers are to be compensated for collecting sales taxes. Joan Wagnon, Secretary, Department of Revenue, commented that the question then becomes, "What do you do with your in-state retailers? Are you going to compensate them as well or are you going to compensate just the ones having to do destination sourcing?"

Senator Lee began a discussion regarding New Section 5 which provides for a maximum credit of \$1,000. Staff determined that \$200,000 in sales taxes collected would be the level at which the cap kicks in, and the net sales for collecting that amount of taxes would be several million dollars a month.

Senator Donovan noted that the Department determined that there are 100,000 retailers in the state, but only 14,000 are impacted by destination sourcing. He suggested that perhaps there is a way to reward only those retailers impacted by destination sourcing. Secretary Wagnon suggested that retailers filing the destination sourcing ST 36 form electronically should also be rewarded because they save the Department processing time. She agreed to have Department staff work on the suggested provisions.

Senator Donovan requested that the Department prepare a run on another option—a 2% credit with a \$1,000 monthly cap. Senator Lee requested that the run include the future cost to the state, assuming destination is in place and there is full compliance.

The meeting was adjourned at 11:25 a.m. The next meeting is scheduled for March 17, 2004.

Department of Revenue
Sales Tax Runs

(SB 532)
(Monthly Filers)

1. A 2% credit with \$500 monthly cap would cost \$23.6 million.
2. A 2% credit with \$300 monthly cap would cost \$21.3 million.
3. A 2% credit with \$100 monthly cap would cost \$15.8 million.
4. A 0.5% with \$1,000 monthly cap and a minimum of \$100 credit per return would cost \$ 65.6 million.
5. A 2% with \$500 monthly cap and only get to claim a credit if their monthly tax liability is \$100 or more would cost ~~\$223.6~~ million.

\$ 23.6

Senate Assessment + Taxation
3-16-04
Attachment 1