

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Robert D. Hull

2. **Bill Number** HB 1462

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax: Reinstates the
Public Service Corporation Exemption

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would restore the retail sales and use tax exemption applicable to public service corporations for the purchase or lease of tangible personal property used directly in the rendition of their public service.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2007-08	(\$48.2 million)	GF
	(\$7.1 million)	TTF
	(\$14.1 million)	Local
2008-09	(\$52.6 million)	GF
	(\$7.7 million)	TTF
	(\$15.4 million)	Local
2009-10	(\$52.6 million)	GF
	(\$7.7 million)	TTF
	(\$15.4 million)	Local
2010-11	(\$52.6 million)	GF
	(\$7.7 million)	TTF
	(\$15.4 million)	Local
2011-12	(\$52.6 million)	GF
	(\$7.7 million)	TTF
	(\$15.4 million)	Local

7. Budget amendment necessary: Yes.
Item(s): Page 1, Revenue Estimates

8. Fiscal implications:

Administrative Costs Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Estimate

If this bill is passed, sales and use tax revenue is estimated to decrease by \$48.2 million in FY 2008, \$52.6 million in FY 2009, \$52.6 million in FY 2010, \$52.6 million in FY 2011, and \$52.6 million in FY 2012. The estimate does not include purchases by mutual telephone companies that are included in this bill; however, these purchases are expected to have a minimal impact.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Former Law

Prior to legislation enacted in 2004 (House Bill 5018, Chapter 3, 2004 Special Session I), public service corporations had a sales and use tax exemption for the purchase of all tangible personal property used directly in the rendition of their public service. Direct usage refers to those activities that are an integral part of the rendition of a public utility service, including all steps of a utility's production, generation or initiation process as well as a utility's transmission or distribution process, but not including incidental public utility functions such as administration and management. The exemption was applicable to electric, gas, water and sewer utilities; telephone and telecommunications companies; and motor vehicle and railway common carriers.

2004 Law Change

With the exception of railway common carriers, 2004 House Bill 5018 repealed the exemptions for all public service corporations effective September 1, 2004. Those companies that lost the exemption included electric, gas, water and sewer utilities; telephone and telecommunications companies; and motor vehicle common carriers. Those entities that lost the exemption, with the exception of motor vehicle common carriers, are allowed to impose a separate line item surcharge on customers' bills to recoup the taxes paid resulting from the repeal of the sales and use tax exemption.

Proposed Changes

This bill would reinstate the retail sales and use tax exemption for all public service corporations that lost their exemption under the 2004 law change effective September 1, 2004.

Similar Legislation

House Bill 874 would reinstate the retail sales and use tax exemption for tangible personal property purchased by telecommunications and certain telephone companies for use directly in the rendition of their public service.

cc : Secretary of Finance

Date: 01/29/2006 WBS
HB1462F161