

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Jay O'Brien

2. **Bill Number** SB 127

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax: Dedication of
General Fund Revenues to Localities

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide that an amount equal to the revenue generated by a one-half percent sales and use tax would be distributed to counties and cities in the same ratio as the local sales and use tax distribution, and that one-half of this amount would be used for transportation and the other one-half would be used for education within the locality.

The effective date of this bill is not specified.

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

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2005-06	\$0	GF
	\$0	Local
2006-07	<\$517.2 mill>	GF
	\$517.2 mill	Local
2007-08	<\$542.5 mill>	GF
	\$542.5 mill	Local
2008-09	<\$569.1 mill>	GF
	\$569.1 mill	Local
2009-10	<\$594.7 mill>	GF
	\$594.7 mill	Local
2010-11	<\$620.9 mill>	GF
	\$620.9 mill	Local
2011-12	<\$647.0 mill>	GF
	\$647.0 mill	Local

7. **Budget amendment necessary:** No.

8. Fiscal implications:

Administrative Cost 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 Impact

As drafted, it is estimated that this bill would require the transfer of unrestricted General Fund state retail sales and use tax revenue to localities of \$517.2 million in FY 2007, \$542.5 million in FY 2008, \$569.1 million in FY 2009, \$594.7 million in FY 2010, \$620.9 million in FY 2011, and \$647.0 million in FY 2012. To implement this transfer, a reduction of an equal amount of general fund support from other areas in the introduced budget will be required. Given the magnitude of funding involved, funding would need to be transferred from areas with significant general fund support.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: Yes.

To correct a misspelled word:

Page 4, Line 206, after: Comptroller at the
Strike: sime
Insert: same

11. Other comments:

This bill would reallocate an amount equal to the revenue generated by a one-half percent of the sales and use tax back to the localities. The additional amount of revenue would be distributed to localities in the same ratio as the distribution of the one percent local sales tax. Currently, the one percent local sales and use tax is distributed to localities according to where the sale occurs. The distribution would be made at the same time as the monthly distribution of the one percent local sales and use tax. The revenues received by the localities from this reallocation would be used one-half for transportation and one-half for education in the locality.

Other Similar Bills

House Bill 423 would distribute certain sales and use tax revenues to localities that have experienced a reduction in their machinery and tools tax revenues of at least 50% during their two most recent fiscal years, excluding a reduction resulting from a decrease in the machinery and tools tax rate.

House Bill 1124 would provide that an amount up to the amount of revenue generated by a one-half percent sales and use tax would be distributed among all counties and cities whose total real property tax revenues for the most recently ended fiscal year do not exceed the total for the previous year by a rate that is more than the sum of the rate of population growth and the rate of inflation for the preceding year.

cc : Secretary of Finance

Date: 01/30/2006 WBS
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