

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** William K. Barlow

3. **Committee** House Finance

4. **Title** Local Consumer Utility Tax; Tax Rate

2. **Bill Number** HB 1348

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that any local consumer utility tax imposed on consumers of utility services provided by any water or heat, light and power companies or public service corporations may apply to the full amount of the charge to residential customers, but may not exceed \$3 in any month.

Under current law, the consumer utility tax on residential customers is effectively capped at \$3 a month because the tax may not be imposed at a rate in excess of 20 percent on the first \$15 per month.

The effective date of this bill is not specified.

6. No Fiscal Impact.

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. As this bill would simply replace the current \$3 cap that results from the tax being limited to 20 percent of the first \$15 per month charge to an explicit \$3 cap, this bill would have no impact on local revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Generally

Under current law, a consumer utility tax may be imposed by any county, city, or town on consumers of utility services provided by water or heat, light and power companies or other public service corporations. Consumers of these utility services may not be taxed at a rate in excess of 20 percent of the monthly charge and the tax is not applicable to any amount charged in excess of \$15 per month for residential customers. Thus, the consumer utility tax on residential customers is effectively capped at \$3 a month. There is no ceiling on the local consumer utility tax for commercial and industrial customers.

Any locality that had a higher a rate of taxation in effect before July 1, 1972 is allowed to continue imposing the local consumer utility tax at that rate.

Proposal

This bill would provide that any local consumer utility tax imposed on consumers of utility services provided by any water or heat, light and power companies or public service corporations may apply to the full amount of the charge to residential customers, but may not exceed \$3 in any month.

cc : Secretary of Finance

Date: 1/28/2008 Initials
DLAS File Name