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F I S C A L I M P A C T R E P O R T

SPONSOR Ingle

ORIGINAL DATE 02/06/14
LAST UPDATED

HB

SHORT TITLE Vending Machine Sales Gross Receipts

SB 235

ANALYST van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY14	**FY15**	**FY16**	**FY17**	**FY18**		
($100.0)	($1,370.0)	($1,540.0)	($1,720.0)	($1,940.0)	Recurring	General Fund
($70.0)	($910.0)	($1,020.0)	($1,150.0)	($1,290.0)	Recurring	Local Governments
($170.0)	**($2,280.0)**	**($2,560.0)**	**($2,870.0)**	**($3,230.0)**	**Recurring**	**Total**

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 235 provides an exemption from gross receipts tax (GRT) for receipts from the sale of food and beverages from a coin-operated vending machine.

There is no effective date of this bill. It is assumed that the new effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

In FY 13, taxpayers reported $1.8 million in gross receipts tax from sales from vending machines. In FY 12 and FY 13, this revenue grew at an average rate of 12.2 percent. This rate of growth is assumed to continue. The FY 14 impact is calculated at one-twelfth of a full year.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency and equity. Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations.

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is <u>not</u> met since TRD is <u>not</u> required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the exemption and other information to determine whether the exemption is meeting its purpose.

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

PvM/jl