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FISCAL IMPACT REPORT

SPONSOR:	Tripp	DATE TYPED:	02/06/00	HB	240
SHORT TITLE:	Tax Credit for Sale of Food at Retail Stores			SB	
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
\$ (55,500.0)	\$ (60,500.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill provides a credit against a taxpayer's gross receipts tax liability: for a taxpayer located in an unincorporated area of a county, the amount equals 5.0% of taxable gross receipts from the sale of food at a retail food store; and, for a taxpayer located in a municipality, it equals to 3.275% of taxable gross receipts from the sale of food at a retail food store.

Significant Issues

There is no assurance that food retailers will pass this tax savings on to customers.

FISCAL IMPLICATIONS

This bill would have a negative impact on the general fund of approximately \$60.5 million (recurring) in fiscal year 2000. Nearly 1.8 billion in food purchases would be affected by this bill. The statewide average rate for food purchases is 6.063%, while the state yield from food stores is 3.38%.

The table on the following page illustrates the taxable base, the percent of food consumed by municipalities and the estimated amount of taxes collected in fiscal years 2000 and 2001.

		FY 2000	FY 2001
Municipal Base	\$1,600,000,000		\$1,660,000,000
Statewide Base	\$1,720,000,000		\$1,790,000,000
% Food in Municipalities	93.02%		93.02%
State Yield	\$58,150,000		\$60,500,000

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department reports that passage of this bill will critically impact revenue processing, systems development and maintenance, and forms development. The largest portion of expense is in developing forms and amending the current system to accommodate this substantial change. The problem is that one reporting entity in one location will have two effective tax rates ... the sum of the local option plus 1.225% distribution for food for home consumption and the regular gross receipts tax rate for all other sales. This more than doubles the complexity of an already overloaded and complex system. Several audits of stores qualifying for the credit will need to be performed.

JE/njw