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

SPONSOR Foley **DATE TYPED** 2/03/05 **HB** 30

SHORT TITLE Change Gross Receipts Tax Due Date **SB**

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(15.0)		Recurring	General Fund
	(10.0)		Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department

SUMMARY

Synopsis of Bill

House Bill 30 changes the payment due date for gross receipts and compensating taxes from the 25th day of month following the month in which the taxable event occurred to the last day of the following month.

The bill does not carry an effective date, and is thus assumed to become effective 90 days after the end of the session.

FISCAL IMPLICATIONS

TRD estimates that changing the due date will reduce general fund revenues by $15 thousand and local government revenues by $10 thousand in FY06. They report that the estimated revenue loss is based up foregone interest earnings on 5 days of gross receipts tax deposits, assuming a 2 percent interest rate.

Note: an earlier version of this FIR showed no fiscal impact. It overlooked the interest question.

ADMINISTRATIVE IMPLICATIONS

TRD reported the following administrative impact: Forms, instructions and publications must be revised. Systems' coding, changing of date configurations and troubleshooting must be performed. Taxpayers will have to be educated on the new due date. These changes can be implemented with existing resources.

TECHNICAL ISSUES

TRD submitted this technical issue: Since the Department collects several other taxes – including withholding tax, compensating tax and others -- at the same time and with the same forms as the gross receipts tax, the bill should change the effective dates for all of these taxes. Otherwise, the Department would have to completely revise its processing systems at a considerable one-time cost.

OTHER SUBSTANTIVE ISSUES

TRD raised this concern: Changing the due date for payment of gross receipts may affect the timeliness and the quality of the distribution to local governments. If the Department continues to distribute revenue to local governments at the current schedule (around the 11th of the month), then the Department has less time to process returns and correct errors. This may result in a lower distribution, which will then be adjusted in the following month's distribution. If the Department continues to take fifteen days, on average, to clear returns for distribution, then local governments will receive their distributions about 5 days later each month.

BT/lg:yr