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FISCAL IMPACT REPORT

SPONSOR Carraro DATE TYPED 02/04/05 HB _____

SHORT TITLE Municipal Gross Receipts Tax Credit SB 48

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$147,000.0)	(\$154,000.0)	Recurring	General Fund ³

(Parenthesis () Indicate Revenue Decreases)

Relates to: Senate Bill 50, HB 81

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

SUMMARY

Senate Bill 48 provides a credit for municipal gross receipts taxes paid. The credit is equal to one-half percent if the municipality has imposed a total municipal gross receipts tax rate of at least one-half percent and one-fourth percent if the municipality has imposed a municipal gross receipts tax rate of one-fourth percent.

The bill's effective date is July 1, 2005.

FISCAL IMPLICATIONS

TRD reports that all municipalities have imposed at least a 0.5 percent municipal gross receipts tax rate, implying that the credit imposed by this bill would be 0.5 percent. They also indicate that in FY06 taxable gross receipts in municipal areas are estimated to be \$29.4 billion, about 75 percent of total state-wide taxable gross receipts. Multiplying the one-half percent credit by \$29.4 million equals \$147 million, the estimated revenue loss to the general fund.

The subsequent year impact increases the initial impact by 4.5 percent, the expected growth rate for gross receipts tax revenues.

ADMINISTRATIVE IMPLICATIONS

TRD reports that there would be a modest administrative impact including modification of forms, instructions, systems, revenue processing and financial reporting. They say that it would be difficult to implement those changes by the July 1, 2005 effective date.

OTHER SUBSTANTIVE ISSUES

TRD submitted the following comment:

The 0.5% credit was originally introduced about 20 years ago in order to reduce the differential between tax rates inside municipal boundaries with those in the county area. It was repealed last year to generate funds for the state to offset the gross receipts tax deduction for food and medical services.

BT/sb