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

SPONSOR Sanchez, M **DATE TYPED** 2-28-2005 **HB**

SHORT TITLE Personal Property Sale Gross Receipts **SB** 766

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	($1,440.0)	Similar	Recurring	General Fund
	($910.0)	Similar	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files
Taxation and Revenue Department

SUMMARY

Senate Bill 766 expands the gross receipts tax deduction for commissions on sales of tangible personal property. The deduction would apply to all receipts from these sales, while currently the deduction is provided only for those which are not subject to the gross receipts tax.

The bill has a July 1, 2005 effective date.

FISCAL IMPLICATIONS

In a preliminary analysis TRD estimated that the tax base—commissions on sales of tangible personal property—is approximately $35 million. Applying an average statewide gross receipts rate of 6.6 percent implies a revenue loss of $2.3 million in total. Sixty percent of the revenue loss is attributed to the state general fund, with the remainder affecting local government revenues.

TRD estimates the tax base from figures in the 1997 Census of Retail Trade and then grows these to provide a 2006 approximation. The 1997 census reported 208 “direct selling establishments with total revenues of $202 million and payroll of $25 million. TRD uses the payroll figure to approximate commissions, and then increases the figure by 4 percent per year to estimate

2006 commissions.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department reports that the administrative implications of this bill would be minor.

BT/rs