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FISCAL IMPACT REPORT

SPONSOR Smith DATE TYPED 2/27/05 HB _____
 SHORT TITLE Incorrect Gross Receipts Reporting Penalty SB 177/aSJC
 ANALYST Taylor

REVENUE

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

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of the Senate Judiciary Committee Amendments

The Senate Judiciary Amendments:

1. make the repeal of the penalty provisions effective January 1, 2005; and
2. add an emergency clause.

Synopsis of Original Bill

SB 177 repeals provisions of the law regarding incorrect reporting of gross receipts deductions of sales of food for home consumption and certain medical services. The repealed penalty is equal to the misreported deduction multiplied by twice the gross receipts rate (including local options).

The bill does not carry an effective date. The bill is assumed effective 90 days after enactment.

FISCAL IMPLICATIONS

TRD reports that the fiscal impact uncertain because no penalties have been collected under the statute, which went into effect January 1, 2005.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department reports that it will need to make changes to systems, forms, publications, processing and training. Short-term costs of perhaps 0.5 FTE combined. They also say that the Senate Judiciary Committee amendment adding an emergency clause will shorten the time available for implementation.

OTHER SUBSTANTIVE ISSUES

TRD'S bill analysis raised the following issue:

The penalties being repealed in this bill were designed to insure accurate reporting by location to facilitate the distribution of "hold harmless" amounts to local governments, but the magnitude of the penalties – equivalent to 100% of the misreported local option gross receipts tax – is much larger than that for other tax underpayment penalties that are limited to 10% of the principal amount.

BT/rs