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FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/06

SPONSOR Neville LAST UPDATED _____ HB _____

SHORT TITLE Expand Tax Definition of Retail Food Store SB 461

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(234.0)		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 461 expands the definition of retail food store so that businesses that sell bottled water can receive the gross receipts tax deduction for food, provided that 90 percent of a business' total sales are bottled water for home consumption.

The effective date of these provisions is July 1, 2006.

FISCAL IMPLICATIONS

TRD estimates the bill will reduce gross receipts tax revenue to the general fund by \$234 thousand per year.

The bill will not affect local government gross receipts tax revenue unless taxpayers who claim the deduction file their taxes incorrectly.

ADMINISTRATIVE IMPLICATIONS

TRD will need to troubleshoot systems, revise forms and instructions, prepare taxpayer education materials and instructions, and retrain personnel.

Implementation of the food and medical deductions has been unusually complicated and expensive for TRD because of the programming needed to do hold harmless distributions for local governments. Increasing the list of food items eligible for the food gross receipts tax deduction will increase the cost of administering the local hold harmless distributions.

TECHNICAL ISSUES

TRD notes that the original intent of Section 7-9-92 was to include food for home consumption as defined by the federal Food Stamp program. Senate Bill 461 would include receipts from companies that sell water to businesses as well as to individuals for home consumption. Companies delivering bottled water to homes and businesses will have to separate home and business sales to qualify for the deduction.

SS/yr