

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2258

Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR UTILITIES USED BY A VOLUNTEER FIRE DEPARTMENT.

Basic Change :

Representative Wren

The bill provides a sales and use tax exemption for utility services provided to volunteer fire departments. The exemption applies to purchases of electricity, natural gas, propane gas, water, and communication services. The proposal would be effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY14 Tax Decrease

Total Impact to State Revenues -\$410,000

[8 Months of Decreased Tax Collections --- 10/1/2013 Effective Date]

-\$274,479 ---State General Revenue (4.5%)
-\$ 53,371 ---Educational Adequacy (.875% tax)
-\$ 30,498 ---Property Tax Relief Trust Fund (.5%)
-\$ 7,624 ---Conservation Tax (.125%)
-\$ 30,498 ---Highway Fund (.5%)
-\$ 0 ---Educational Excellence Trust Fund
-\$ 0 ---Educational Adequacy (GR transfer)
-\$ 9,430 ---State Central Services
-\$ 4,100 ---Constitutional Officers
Total Impact to City and County Sales Tax -\$135,000

FY15 Tax Decrease

Total Impact to State Revenues -\$635,000

-\$ 382,866 ---State General Revenue (4.5%)
-\$ 82,660 ---Educational Adequacy (.875% tax)
-\$ 47,234 ---Property Tax Relief Trust Fund (.5%)
-\$ 11,809 ---Conservation Tax (.125%)
-\$ 47,234 ---Highway Fund (.5%)
-\$ 38,811 ---Educational Excellence Trust Fund
-\$ 3,431 ---Educational Adequacy (GR transfer)
-\$ 14,605 ---State Central Services
-\$ 6,350 ---Constitutional Officers
Total Impact to City and County Sales Tax -\$210,000

Taxpayer Impact :

Volunteer fire departments would need to register with DFA to obtain the necessary exemption permit to provide the sellers of the exempted utilities. Taxpayers would be required to change accounting and computer systems to allow for the exemption.

Resources Required :

None

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Time Required :

Adequate time is allowed in the proposal

Procedural Changes :

Education of staff and a revision of the existing rules to reflect the exemption

Legal Analysis :

This bill creates a sales tax exemption for electricity, natural gas, propane, water, and communication services sold as a utility or provided as a public service and used by a volunteer fire department. The exemption applies to all state, local, and county sales and use taxes. The bill is effective on the first day of the calendar quarter following the effective date of the act.

The two constitutional impositions of sale/use tax Am. 75 and 91) would be affected as well since this bill exempts utility sales to volunteer fire departments from all sales and use taxes.

It is uncertain whether "communication services" includes, for example cable television and internet or is limited to services necessary for the department functions such as telephone service.

DFA has general authority to promulgate rules under this chapter.