

Department of Finance and Administration

Legislative Impact Statement

Bill: SB657

Amendment Number: H1

Bill Subtitle: AN ACT TO AMEND THE LAW CONCERNING THE DISCOUNT AVAILABLE TO TAXPAYERS FOR PROMPT SUBMISSION OF SALES TAX RETURNS AND PAYMENTS.

Basic Change :

Sponsor: Senator J. Cooper

House Amendment 1 --- Amends the bill to phase-in the reduced sales tax discount eligible for prompt payment of city and county sales taxes. The phase-in would be implemented as follows:

- For the tax year beginning January 1, 2018, the discount shall not exceed five thousand dollars (\$5,000);
- For the tax year beginning January 1, 2019, the discount shall not exceed four thousand dollars (\$4,000);
- For the tax year beginning January 1, 2020, the discount shall not exceed three thousand dollars (\$3,000);
- For the tax year beginning January 1, 2021, the discount shall not exceed two thousand dollars (\$2,000); and
- For tax years beginning on and after January 1, 2022, the discount shall not exceed one thousand dollars (\$1,000).

Original Bill ---The bill would amend § 26-52-503 to place a limit or cap of one thousand dollars (\$1,000.00) per month on the amount of discount allowed against city and/or county sales tax liability of a taxpayer who files and pays their sales and use tax early. In order for a taxpayer to be eligible for any early filing/payment discounts, current state law requires a taxpayer to file and pay all sales and use tax due on or before the twentieth (20th) day of each month for taxes collected in the preceding month. The maximum discount authorized for city and county sales taxes would mirror the existing limit or cap of one thousand dollars (\$1,000.00) currently provided on the state tax liability for sales tax reporting.

The effective date of this proposal would be on the first day of the calendar quarter following the effective date of this act.

Revenue Impact :

\$ 392,000 --- 2018 Total Annual Local Sales Tax Gain
\$ 601,000 --- 2019 Total Annual Local Sales Tax Gain
\$ 882,000 --- 2020 Total Annual Local Sales Tax Gain
\$1,400,000 --- 2021 Total Annual Local Sales Tax Gain
\$2,570,000 --- 2022 Total Annual Local Sales Tax Gain
[Estimate based on actual 2016 local sales tax discounts taken by retailers]

Taxpayer Impact :

There are approximately one hundred and sixty (160) taxpayers currently reporting local taxable sales

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claiming discounts that would exceed one thousand dollars (\$1,000.00) per month per local jurisdiction. These taxpayers would be subject to the reduced phase-in discount provisions.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Modification of sales tax rules and the state's tax database would be required to account for this change. Education of DFA staff and tax preparers would also be necessary.

Other Comments :

None.

Legal Analysis :

This bill amends SB657 to limit the discount for the early payment of city and county (local) sales tax payments on a reduced schedule. The maximum discount allowed will be five thousand dollars (\$5,000) per calendar year for 2018, and shall be reduced by one thousand dollars (\$1,000) each calendar year through 2022. For calendar years beginning on and after January 1, 2022, the local discount shall not exceed one thousand dollars (\$1,000).