

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1195

Bill Subtitle: TO AMEND THE SALES TAX LEVIED ON CERTAIN SERVICES; AND TO EXEMPT RESIDENTIAL CLEANING AND JANITORIAL WORK FROM THE SALES TAX.

Basic Change :

Sponsor: Rep. L. Johnson

HB1195 amends § 26-52-301(3)(D) to provide that the levy of sales or use tax on the sale of cleaning and janitorial services would not extend to residential property. Under current law, the sale of cleaning and janitorial services is subject to sales tax regardless of where the services are performed.

The term "residential" is defined as "a single family residence used solely as the principal place of residence of the owner." HB1195 provides a sales tax exclusion for sales of cleaning and janitorial services performed at residential properties. The sale of cleaning and janitorial services performed at properties that do not qualify as "residential" property remain subject to sales tax.

The exclusion of residential cleaning services and janitorial work from sales tax would be effective on the first day of the calendar quarter following the effective date of this act. An effective date of October 1, 2023 is assumed for purposes of the revenue impact below.

Revenue Impact :

FY2024

Total Approximate State Sales and Use Tax Loss \$ - 600,000

(Estimated Effective Date 10/1/23 --- 8 months reduced tax collection)

General Revenue - 4.5%	\$ - 402,508
Property Tax Relief - .5%	\$ - 44,723
Conservation Fund - .125%	\$ - 11,181
Educational Adequacy Fund - .875%	\$ - 78,265
Highway Fund - .5%	\$ - 44,723
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 12,600
Constitutional Officers -	\$ - 6,000

Total Approximate Local City and County Sales and Use Tax Loss \$ - 200,000

FY2025

Total Approximate State Sales and Use Tax Loss \$ - 900,000

General Revenue - 4.5%	\$ - 541,816
Property Tax Relief - .5%	\$ - 67,085
Conservation Fund - .125%	\$ - 16,771

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Educational Adequacy Fund - .875%	\$ - 117,398
Highway Fund - .5%	\$ - 67,085
Educational Excellence Trust Fund -	\$ - 56,915
Educational Adequacy (GR Transfer) -	\$ - 5,031
State Central Services -	\$ - 18,900
Constitutional Officers -	\$ - 9,000

Total Approximate Local City and County Sales and Use Tax Loss

\$ - 300,000

Taxpayer Impact :

A taxpayer providing cleaning or janitorial services on a residential property would no longer be required to collect and remit sales and use tax on that service.

Resources Required :

Computer programs, tax forms, and instructions would need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the Sales and Use Tax Rules would need to be promulgated.

Other Comments :

None.

Legal Analysis :

The cleaning of certain items of tangible personal property commonly found in a residence would still be taxable under § 26-52-301(3)(B)(i): electrical appliances and devices; furniture; rugs; flooring; upholstery; household appliances; televisions and radios; and watches and clocks.