

FISCAL NOTE

SB 1273 - HB 1237

March 11, 2005

SUMMARY OF BILL: Reduces the current state sales tax rate of seven percent (7%) by one-fourth percent (0.25%) increments over four fiscal years beginning in FY06 and ending in FY09 when the state sales tax rate would be six percent (6%) thereafter.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Net Impact - \$194,000,000 FY06
\$402,000,000 FY07
\$625,000,000 FY08
\$862,000,000 FY09

Increase State Expenditures - \$10,000 FY06
\$10,000 FY07
\$10,000 FY08
\$10,000 FY09

Increase Local Govt. Revenues - \$1,090,000 FY06
\$2,260,000 FY07
\$3,510,000 FY08
\$4,850,000 FY09

Assumptions:

- State-shared taxes with municipalities are not affected by this bill because any incremental tax collections derived from the 2002 rate increase from 6% to 7% were not to be shared with the municipalities.
- 3.5% growth in state sales and use tax collections.
- Reducing the state sales tax rate by one-quarter percentage increments will decrease state revenues by increasing amounts over the four fiscal years (FY06-FY09).
- Each fiscal year's decrease to state sales tax collections derived from the sales tax rate reduction would be offset with a smaller increase to state sales tax revenue which would be derived from increased consumption expenditures that consumers are afforded by paying less state tax.

- Net decreases in state revenues are estimated at \$194.0 million, \$402.0 million, \$625.0 million, and \$862.0 million for fiscal years 2006-09 respectively.
- Local option sales tax collections are estimated to increase each fiscal year due to the increased consumption expenditures that consumers are afforded by paying less state tax.
- Increase in local government revenues are estimated at \$1.09 million, \$2.26 million, \$3.51 million, and \$4.85 million for fiscal years 2006-09 respectively.
- Computer programming and software modifications are estimated to cost \$10,000 per year (FY06-FY09).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director