



FISCAL NOTE

Senate Bill 292

Committee: Fiscal Responsibility and Economic Development Sponsor: Senator Dan Roberts

Analyst: JT Mathis

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Senate Bill 292 as introduced require the Department of Revenue to issue contractors and subcontractors, licensed by the State Licensing Board for General Contractors, a certificate of exemption from state and local sales and use taxes for the purchase of building materials, construction materials and supplies, and other tangible personal property that becomes part of a structure that is the subject of a written contract for the construction of a building or other project on behalf of a statutorily exempt entity which is exempted from the payment of sales and use taxes. Using the materials transfer process, the purchases are currently exempt only if the statutorily exempt entity has designated the contractor as a purchasing agent and funds of the statutorily exempt entity are used to purchase the materials.

The provisions of this bill could reduce sales and use tax receipts to the Education Trust Fund and the State General Fund by a small undetermined amount annually and could also reduce sales tax receipts of local governments by a similar amount, beginning in fiscal year 2024. The actual reduction in receipts would depend upon (1) the number of statutorily exempt entities that enter into contracts, subject to the provisions of this bill that do not currently utilize the materials transfer process, and (2) the value of the building materials, construction materials and supplies, and other tangible personal property purchased for these contracts.

In addition, this act could increase sales and use tax receipts of the Education Trust Fund and the State General Fund and local governments if any contractor or subcontractor is found guilty of intentionally violating the use of the exemption certificate and are required to pay the actual sales or use tax liability due, and be subject to a civil penalty of not less than a minimum of \$2,000 or two times the amount of sales and use taxes that would have otherwise been paid.



In addition, this bill requires the Department to issue an exemption certificate to the statutorily exempt entity for each tax-exempt project. Further, the provisions of this bill shall be effective for contracts entered into on or after January 1, 2024; and shall not apply to any contract entered into prior to January 1, 2024, or any contract change orders or contract extensions when the original contract was entered into prior to January 1, 2024.