

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 494** HLS 19RS 208
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 6, 2019 10:35 AM	Author: ABRAMSON
Dept./Agy.: Revenue/Local Funds	Analyst: Benjamin Vincent
Subject: Sales/Use Tax (Local): Asphaltic Concrete Manufacturing	

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Provides relative to the determination of where sales and use taxes are due on purchases of certain raw materials manufactured into asphaltic concrete

Present law provides that if a contractor converts asphaltic concrete from raw materials, the contractor is considered the ultimate user, and if the construction takes place in another local taxing jurisdiction, it is not considered sale for resale to the party who has contracted for the construction.

Proposed law provides criteria for determining which local taxing jurisdiction's sales and use taxes that the asphaltic concrete would be subject to. Proposed law specifies that the retail sale of the raw materials is deemed to have taken place where the concrete is used to fulfill the road material contract. Proposed law provides an exception for transactions in which the raw material transfers to the contractor at the dealer's place of business- in these cases, sales tax would be due in the taxing jurisdiction of the dealer. Effective upon governor's signature.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law will result in a transfer of sales tax revenue among local taxing jurisdictions, with a marginal net impact on total local collections, depending on relative local tax rates of the affected localities.

To the extent that construction contracts are being fulfilled in particular jurisdictions using asphaltic concrete that was manufactured in a different jurisdiction and the transfer of raw material to the contractor did not occur at the dealer's place of business, taxable transactions will decrease in the jurisdictions where the conversion from raw materials is occurring, and will increase in the jurisdictions where the construction contracts are being fulfilled.

LDR reports that information on the geographic breakdown of these transactions is unavailable. LFO is unable to specify which jurisdictions are likely to lose or gain sales tax revenue, and the magnitude of the shift in these local receipts.

At the statewide level, proposed law is not anticipated to result in any material reduction or increase in aggregate construction or concrete manufacturing activity, so no impact to state sales and use taxes is anticipated.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist