

FISCAL NOTE

Prepared in regard to: Senate Bill 2284  
(List bill or resolution and number, if available,  
or subject)

Amendment to: \_\_\_\_\_  
(List bill or resolution and number).

Requested by: Legislative Council Date of receipt: January 20, 1981

In the following space note the fiscal effect in dollars of the legislative proposal:

Narrative:

If enacted, Senate Bill 2284 would reduce state general fund revenue by an estimated \$60,000,000 in the 1981-83 biennium. If enacted, the projected ending state general fund balance of the 1981-83 biennium would be reduced by \$60,000,000 to \$39,000,000 assuming the original executive budget recommendations.

If enacted, Senate Bill 2284 would also decrease Highway Distribution Fund revenue by an estimated \$450,000 during the 1981-83 biennium.

Fiscal Effect:

<u>1981-82</u>		<u>1982-83</u>		<u>Total Biennium</u>	
<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>
	- \$9,000,000		- \$51,000,000		- \$60,000,000
(Highway Distribution Fund)		(Highway Distribution Fund)		(Highway Distribution Fund)	
- \$70,000		- \$380,000		- \$450,000	

Signed \_\_\_\_\_

Typed Name C.W. Cudworth

Date Prepared: January 26, 1981 Department Tax

If additional space is needed, attach a supplementary sheet.

SB 2284

According to the data supplied by Darrell O., the state tax commissioner would receive a notice from the Dept. of Accounts & Purchases to reduce the rates on sales, use and motor vehicle taxes in Oct. of 1982. (By the 15th)

Thereby, the state tax commissioner would reduce the rates effective Jan. 1, 1983 according to Section 1 of SB 2284.

Checking with Al Hauseur, only the general 3% rate on sales, use and motor vehicle excise taxes would be replaced with the proposed bracket system provided in Section 1 of SB 2284.

The tax rate on sales of farm machinery and irrigation equipment would be reduced by a bracket system similar to Section 1, but effectively the rate would be reduced from 2% to 1% since small sales would not be as likely to occur in this area.

The effective rate change on the general rate of 3% would be more than a 33 1/3% reduction to 2% because of the proposed bracket system.

Since the effective date of this bill would be on Jan. 1, 1982, it is necessary to determine the state general fund revenue forecasts for the last collection quarter of FY-82 (because of the lag in collections.) The bill would also have an effect on the Highway Distribution Fund since a portion of the motor vehicle excise tax goes to this fund.

Official State General Fund Revenue Forecasts

	(Millions)	
	<u>FY-82</u>	<u>FY-83</u>
Sales, and Use (Except farm mach.)	\$131 - 8.63 = \$122.37	148 - 9.49 = \$138.51
Farm mach.	8.63 (Exhibit 17) Forecasts	9.49 (Exhibit 17) Forecasts
Motor Vehicle Excise	12.3	13.6
Total Sales, Use (except farm mach. and M.V. Taxes	\$134.67	\$152.11

Using Mauras B. relative collection figures per quarter:

<u>Fiscal Year</u>	<u>Sales, Use and M.V. Collection Dist.</u>
QTR. 1	25%
2	28%
3	27%
4	20%
	<u>100%</u>

First quarter of collection  
that would be affected  
under SB 2284

= 4th Qtr. of FY-82

Total FY-82 sales, Use & M.V.

S.G.F. (except farm mach.) =  $\$134.67 \times 20\% =$  \$26.93  
(15%)

FY-83, Sales, Use & M.V.

S.G.F. (except farm mach.) =  $\$152.11 \times 100\% =$  \$152.11  
(85%)

Total revenue affected  
by lower tax rate  
(except farm amch.)

\$179.04  
(100%)

Revenue Loss on Sales, Use & M.V. except farm mach.

33 1/3% revenue loss \$59.62

Additional loss because of bracket  
system which yields only 2¢ up to  
\$1.24 compared to 3¢ up to \$1.00

(Based on HB 1553 - 1979 Session) =  $(.00367) (59.62) = .22$

Total loss on sales, use & M.V.  
except farm mach. =

\$59.84M

Revenue Loss on Farm Machinery

FY-82 forecast =  $\$8.63\bar{M}$

relative distrib. (assume 25%)  
9.25) ( $8.63\bar{M}$ ) =

$\$2.16\bar{M}$

FY-83 =

\$9.49M

Total

\$11.65M

5% revenue loss

\$5.83M

Total S.G.F. revenue loss =

\$65.67M

Motor Vehicle Excise Tax  
going to Highway Dist. Fund

FY-80 =  $\frac{\text{fund proportion}}{\text{S.G.F. Portion}} = .0837$

	High. Dist. Fund Loss
FY-82 (S.G.F. Forecast) = \$12.3M (20%) (.0837) (.333) =	-\$70,000
FY-83 (S.G.F. Forecast) = \$13.6M (100%) (.0837) (.333) =	-\$380,000
Total loss to Highway Dist. Fund	= <u>-\$450,000</u>

Impact Recommendation

State General Fund Loss:

<u>FY-82</u>	<u>FY-83</u>	<u>81-83 Biennium</u>
-\$9,000,000 (15%)	-\$51,000,000 (85%)	-\$60,000,000 (100%)

Highway Dist. Fund Loss:

<u>FY-82</u>	<u>FY-83</u>	<u>81-83 Biennium</u>
-\$70,000	-\$380,000	-\$450,000

Also, it is recommended that one say that in light of Governor Link's Budget Recommendations the ending balance of the state general fund at the end of the 81-83 biennium would be reduced by \$60,000,000 to an estimated \$39,600,000.

It is rather difficult to say much about cash flow since

- a) It depends upon when cash is expended during the quarter since net cash flow depends upon beginning balance and tax revenue receipts within the quarter.

Also, if there is any particular problem, the Department of Accounts & Purchases have been made aware of the proposed legislation - and they can act accordingly.