



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0088
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Title:	Standardize individual liability for trust taxes
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Primary Sponsor:	Hoven, Brian
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Status:	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

This bill would make certain individuals in positions of responsibility in a telecommunications company individually liable for retail telecommunications excise taxes collected by the company that are due and owed to the state. This may result in increased collection of taxes due when a telecommunications company fails to remit trust taxes. However, this is expected to happen infrequently, so the most likely revenue impact in any given year is zero.

FISCAL ANALYSIS

Assumptions:

- The retail telecommunications excise tax and income tax withholding are what is known as trust taxes. The tax is collected by businesses from their customers or withheld from employees' pay and periodically remitted to the state. Taxes that have been collected but not yet remitted to the state are public property and are held in trust by the business for the state.

2. Under current law, certain officers and directors of a corporation, partners in a partnership, and members and managers of a limited liability company are personally responsible for income tax withheld from employee’s pay. This bill would make the same personal responsibility provisions apply to telecommunications excise tax collected from customers.
3. When a business that collects a trust tax has financial difficulties, it sometimes “borrows” trust taxes it has collected from its customers but not yet remitted to the state to pay its other debts.
4. When a company’s officers and partners are personally liable for trust taxes collected for the state, they are less likely to “borrow” tax funds to make other payments, and the state is more likely to collect taxes due if the business fails or is unable to pay its debts. This is an event that will not happen every year, and it is impossible to predict when it will happen or the amount of additional revenue in any year. Therefore, this fiscal note does not project increased revenue for any individual year.
5. This bill will not affect the department’s costs of administering the retail telecommunications excise tax.

Long-Term Impacts:

1. This bill will likely result in additional general fund revenue in some future years. Additional revenue in a year could be up to several hundred thousand dollars, but in many years there will be no additional revenue. The additional revenue will come from avoiding situations where taxes are not remitted to the state.

Sponsor’s Initials

Date

Budget Director’s Initials

Date