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FISCAL IMPACT REPORT

SPONSOR:	Wilson	DATE TYPED:	02/06/00	HB	
SHORT TITLE:	Gross Receipts Deduction for Software Services			SB	146/aSWMC
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01 *			
	\$ (11,070.0)		Recurring	General Fund
	\$ (6,610.0)		Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

* A Taxation and Revenue Department (TRD) report on the amendment had not been received prior to the time of the writing of this report. The estimated impact is based upon the original analysis received from TRD.

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SWMC Amendment

The amendment excludes business services and computer business services from the allowable deduction definitions presumably leaving only computing services (SIC # 7370) as eligible for the deduction.

Synopsis of Bill

This bill proposes a gross receipts tax deduction for software and business services under certain restrictions. Business services are defined to include "services used in the normal course of business", such as accounting, word processing, data entry, research and consulting. Software services are defined to mean development, integration and support of computer software used for business purposes. The final restriction is the services "originate from a place of business located outside the boundaries of incorporated municipalities of more than 40,000 population according to the most recent decennial census."

Effective date of this bill is May 17, 2000 -90 days after adjournment.

FISCAL IMPLICATIONS

SWMC Amendment

This bill, as amended, has an estimated negative impact of the general fund of \$11 million (recurring) and \$6.6 million (recurring) on local government revenues.

ADMINISTRATIVE IMPLICATIONS

TRD has concerns about definitions and enforcement. TRD estimates that the large scope of the taxpayers eligible will require 5 FTE at a cost of \$250.0 to select and audit returns.

SWMC Amendment

The SWMC amendment would presumably alleviate TRD's concerns described above.

TECHNICAL ISSUES

The non-geographic nature of electronic communications will make the deduction difficult to audit.

JE/njw