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FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/07

SPONSOR Jennings LAST UPDATED _____ HB _____

SHORT TITLE Health Service Gross Receipts Reporting SB 258

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(\$54.0)		Recurring	General Fund
	(\$36.0)		Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 356

SOURCES OF INFORMATION

LFC Files

Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 258 amends Section 7-1-71.2, which currently provides a reporting penalty for food retailers and health practitioners who misreport the gross receipts tax deductions for food and medical services enacted in 2004. The bill would remove health practitioners who misreport the medical services deduction. Food retailers who misreport would still be subject to penalty.

The effective date of these provisions is July 1, 2007.

FISCAL IMPLICATIONS

TRD reports that about \$90 thousand in penalties were paid by medical service providers pursuant to Section 7-1-71.2 in the last year. Of the \$90 thousand that would no longer be collected, about 60 percent would be a loss to the general fund and the remaining 40 percent would be a loss to local governments.

SIGNIFICANT ISSUES

The food and medical services gross receipts tax deductions enacted in 2004 contained the penalty provision that is amended in this bill. Under current law, health care practitioners and food retailers pay a penalty in the amount of the difference between the incorrect deduction and the correct deduction amount, multiplied by twice the total local option tax rates in effect in the reporting period.

TRD is uncertain whether the penalty amended by this bill is currently contributing to more or less accurate reporting of the medical services deduction. TRD reports that the “double local option penalty” was enacted to ensure correct reporting because the provision holding local governments harmless from the deduction depends on it. However, many taxpayers view the penalty as unfair. As a consequence, it appears they have not voluntarily disclosed misreporting that would be subject to the penalty. Many assessed penalties have been protested, which are costly for TRD to resolve.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 258 duplicates Senate Bill 356.

SS/nt