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FISCAL IMPACT REPORT

ORIGINAL DATE 2/3/15

SPONSOR Trujillo, CA LAST UPDATED 2/6/15 HB 204

SHORT TITLE Liquor Excise Tax Distributions SB _____

ANALYST Dorbecker

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
	NFI	NFI	NFI	NFI	Recurring	LDWI Grant Fund
	NFI	NFI	NFI	NFI	Recurring	General Fund

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 204 reconciles two 2014 amendments to the same section of the Tax Administration Act concerning the distribution of the liquor excise tax. The bill clarifies the distribution of the liquor excise tax to the local DWI Grant Fund (LDWI) will be made in an amount equal to 46 percent from July 1, 2015 through June 30, 2018. The bill also changes the ending date of the distribution to the lottery tuition fund from July 1, 2017 to read “through June 30” of the same year. Table 1 shows the resulting distribution schedule.

Table 1. Liquor Excise Tax Distribution (millions)

FY	Est. Total Liquor Excise Tax	LDWI \$	LDWI %	Section 7-1-6.40 (B) (Farmington) \$	Lottery \$	Lottery %	General Fund
2015	\$46.1	\$19.1	41.5	\$0.25			\$26.7
2016	\$46.1	\$21.2	46.0	\$0.25	\$18.0	39.0	\$6.7
2017	\$47.9	\$22.0	46.0	\$0.25	\$18.7	39.0	\$6.9
2018	\$48.8	\$22.4	46.0	\$0.25			\$26.1
2019	\$49.8	\$20.6	41.5	\$0.25			\$28.9

The consensus revenue estimating group (CREG) already considers the distribution to occur in this fashion pursuant to the 2014 amendments. Because the bill clarifies the mechanics of the distribution but makes no change to the distribution amounts, the LFC staff estimates no fiscal impact. However, this estimate conflicts with TRD’s analysis of the bill which estimates a reduction of approximately \$2 million of general fund and an increase in the LDWI in the same amount.

The effective date of the provisions of this act is July 1, 2015. There is no sunset date. The LFC recommends adding a sunset date.

FISCAL IMPLICATIONS

There is no estimated fiscal impact from the bill. The bill establishes the distribution to the local DWI grant fund for FY 2016 through FY 2018 at 46 percent by reconciling two amendments that enacted in 2014.

SIGNIFICANT ISSUES

TRD notes the effective date of the bill of July 1, 2015 may be difficult to attain considering the department would need to reprogram the new distribution amounts in the GenTax system.

- Does the bill meet the Legislative Finance Committee tax policy principles?
- 1. Adequacy:** Revenue should be adequate to fund needed government services.
 - 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
 - 3. Equity:** Different taxpayers should be treated fairly.
 - 4. Simplicity:** Collection should be simple and easily understood.
 - 5. Accountability:** Preferences should be easy to monitor and evaluate