

Fiscal Estimate Narratives

DOR 12/7/2015

LRB Number	15-3758/1	Introduction Number	AB-0553	Estimate Type	Original
Description Sales tax exemption for occasional sales by nonprofit organizations					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, occasional sales of tangible personal property made by certain nonprofit organizations are exempt if such sales occur on no more than 20 days during the year or taxable receipts from such sales do not exceed \$25,000. The occasional sales tax exemption does not apply at an event for which admissions are charged and payment for entertainment is more than \$500.

Under the bill, occasional sales of tangible personal property made by nonprofit organizations are exempt if such sales occur on no more than 75 days during the year or taxable receipts from such sales do not exceed \$50,000. The entertainment standard for an event for which an admission is charged is also increased to \$10,000.

Based on sales tax return data for FY15, increasing the taxable sales threshold from \$25,000 to \$50,000 would reduce sales tax revenue by approximately \$590,000 on an annual basis. Local (county + baseball district) sales taxes were 7.2% of state sales tax revenues in FY15. Assuming this percentage does not change, local sales taxes will decrease by about \$42,500 ($\$590,000 \times 7.2\%$) per year.

Given that the thresholds currently favor the nonprofit organization, (the entity must hit both the days of sales threshold and the dollar threshold to be considered engaged in a trade or business and thus subject to tax) the change from 20 to 75 days is expected to have a minimal fiscal impact.

The fiscal estimate may be larger to the extent certain nonprofit organizations currently charge admissions to events for which the payment for entertainment is more than \$500, but less than \$10,000. The department does not have information on the number of such events or the payments made to entertainers.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Sales tax exemption for occasional sales by nonprofit organizations			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-590,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-590,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-590,000	-\$42,500
Agency/Prepared By		Authorized Signature	
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		Date	
		12/7/2015	