

### Fiscal Estimate - 2019 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>19-4109/1</b>	<b>Introduction Number</b> <b>SB-426</b>
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**Description**  
 incentives for paying tipped employees the minimum wage, not including tips

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Costs	
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <u>0</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DOR/ Travis Arthur (608) 266-8565	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 10/11/2019
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## Fiscal Estimate Narratives

DOR 10/11/2019

LRB Number	19-4109/1	Introduction Number	SB-426	Estimate Type	Original
<b>Description</b> incentives for paying tipped employees the minimum wage, not including tips					

### Assumptions Used in Arriving at Fiscal Estimate

The bill allows the employer of a tipped employee to retain the state sales taxes that the employer collects during any sales tax reporting period if, during that period, the employer establishes by the employer's payroll records that at least 5 percent of the wages that the employer pays to tipped employees is derived from tips and that the employer pays the tipped employees not less than the minimum wage of \$7.25 per hour, not including tips. If the employer retains the taxes for any period for which the employer cannot establish the criteria for retaining the taxes, the employer must pay a penalty to the Department of Revenue equal to \$500 for the first violation and 200 percent of the taxes for each subsequent violation. After the third violation, the employer is not eligible for retaining the taxes for 48 months following the date of the violation.

The department does not have detailed wage data by employer or hourly rate and tip information for employees. In addition, there is no way to predict the number of filers that will benefit from this proposal, therefore, the overall fiscal effect is a sales tax revenue decrease of an indeterminate magnitude.

The following estimate is for illustrative purposes. According to department data, sales tax collections for full service restaurants and bars/taverns totaled \$324.3 million in FY19. Assuming 25% of filers adopt or satisfy the parameters of the bill, sales tax collections would decrease by about \$81.1 million ( $\$324.3 \text{ million} * 25\%$ ) under the bill.

### ADMINISTRATIVE COSTS

The department estimates one-time administrative costs of \$91,500 for updating WINPAS, the state's tax processing system.

Based on the need to regularly gather and review records for more than 10,000 businesses, ongoing administrative expenses for revenue agents (2.5 FTE) and auditors (20 FTE) are estimated to cost \$1.7 million.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number <b>19-4109/1</b>		Introduction Number <b>SB-426</b>	
<b>Description</b>			
incentives for paying tipped employees the minimum wage, not including tips			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
One-time administrative costs of \$91,500 for updating WINPAS, the state's tax processing system			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$1,700,000	\$
	(FTE Position Changes)	(22.5 FTE)	
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$1,700,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR	1,700,000	
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$1,700,000	\$
NET CHANGE IN REVENUE		\$ see text	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Travis Arthur (608) 266-8565		Robert Schmidt (608) 266-5773	10/11/2019