

# Legislative Analysis

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## ELIMINATE SALES AND USE TAX EXEMPTIONS

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### House Bills 5106 and 5107

**Sponsor: Rep. Paul Condino**

**Committee: Tax Policy**

**Complete to 8-29-05**

## A SUMMARY OF HOUSE BILLS 5106 AND 5107 AS INTRODUCED 8-24-05

Generally speaking, the bills would eliminate sales or use tax exemptions related to investment coins, driver's education training vehicles, certain telecommunications, and prisoner sales.

### House Bill 5106

The bill would amend the General Sales Tax Act to eliminate the following exemptions, effective beginning October 1, 2005:

- The sale of tangible personal property to inmates in a penal or correctional institution purchased with scrip (or its equivalent) issued and redeemed by the institution.
- The sale of a vehicle acquired for lending or leasing to a public or parochial school and the sale of a vehicle purchased by a public or parochial school for driver's education courses.
- The sale of investment coins and bullion.

### House Bill 5107

The bill would amend the Use Tax Act to eliminate the following exemptions, effective beginning October 1, 2005.

- The use of wide area telecommunication service or similar service, an 800 prefix service or similar service, an interstate private network and related usage charges, and international calls (inbound or outbound). These telecommunication services would be taxed in the same manner as interstate telephone communications.
- Property and vehicles purchased for lending or leasing to a public or parochial school for driver's education courses
- The storage, use, or consumption of investment coins and bullion.

## **FISCAL IMPACT:**

Overall, the bills would increase sale and use tax revenue by an estimated \$23.8 million, of which \$15.4 million would be General Fund/General Purpose revenue and \$8.3 million would be School Aid Fund Revenue.

- Eliminating the exemption for prison inmate sales would increase sales tax revenue by an estimated \$0.7 million: GF/GP - \$0.2 million, SAF - \$0.5 million
- Eliminating the investment coins and bullion exemptions would increase sales tax and use revenue by an estimated \$0.4 million: GF/GP - \$0.1 million, SAF - \$0.3 million
- Eliminating the driver's education vehicle exemptions would increase sales and use tax revenue by an estimated \$0.7 million: GF/GP - \$0.5 million, SAF - \$0.2 million
- Eliminating the telecommunications use tax exemption would increase revenue by an estimated \$22.0 million: GF/GP - \$14.6 million, SAF - \$7.3 million.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.