

Legislative Analysis



USE TAX COLLECTIONS

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Senate Bill 264 (Substitute S-1)
Sponsor: Sen. Dave Hildenbrand
House Committee: Tax Policy
Senate Committee: Finance

Complete to 11-14-12

A SUMMARY OF SENATE BILL 264 AS PASSED BY THE SENATE 9-27-12

Public Acts 117 and 118 of 2012 recently amended the Use Tax Act and the General Sales Tax Act, respectively, to amend provisions that describe how and when retailers are to remit taxes they have collected to the Department of Treasury. The acts apply, generally speaking, to businesses with a total tax liability of \$720,000 or more in the prior calendar year (i.e., large retailers).

Under those new acts, created by House Bill 4346 and Senate Bill 428, beginning January 1, 2014, on or before the 20th day of the month, a business would remit an amount equal to 75% of the taxpayer's liability in the immediately preceding month, plus a reconciliation payment equal to the difference between the tax liability determined for the immediately preceding month minus the amount previously paid for that month. The acts also allow a taxpayer to make a consolidated use and sales tax payment.

Senate Bill 264 would amend the provision recently added to the Use Tax Act to specify that a taxpayer's monthly payment would have to be an amount equal to 75% of the taxpayer's use tax liability in the previous month or 75% of its liability for the same month in the previous calendar year, whichever was less, plus the reconciliation payment. A companion bill, House Bill 4804, as substituted in the Senate, would make the same change to the General Sales Tax Act.

[Under current law: by the 20th day and the last day of the month, for both use and sales taxes, the taxpayer must pay amounts equal to 50% of its liability for the same month in the prior year or 50% of the actual liability for the month being reported, whichever is less. The taxpayer also must make a reconciliation payment by the 20th day of the month, if the prior month's payment was insufficient.]

FISCAL IMPACT:

As written, the bill would alter the timing of use tax payments, but the required amounts would still be ultimately collected. At current interest rates, the forgone interest would be relatively insignificant.

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