

Department of Finance and Administration

Amended Legislative Impact Statement

Bill: HB1385

Bill Subtitle: TO AMEND THE SALES TAX LEVIED ON CERTAIN SERVICES; AND TO EXEMPT RESIDENTIAL CLEANING AND JANITORIAL WORK FROM THE SALES TAX.

Basic Change :

Sponsor: Rep. L. Johnson

HB1385 would amend § 26-52-301(3)(D) to provide that the levy of sales or use tax on the sale of cleaning and janitorial services would not extend to "property that is residential." Under current law, sales of cleaning and janitorial services are subject to sales tax regardless of where those services are performed. The term "residential" is defined as "a single-family residence used solely as the principal place of residence of the owner." See § 26-52-301(3)(D)(ii). HB1385 provides a sales tax exemption for sales of cleaning and janitorial services performed at residential properties as that term is defined in § 26-52-301(3)(D)(ii). Sales of cleaning and janitorial services performed at properties that do not qualify as a "residential" property remain subject to sales tax.

HB1385 would be effective on the first day of the calendar quarter following the effective date of the act. For purposes of the Revenue Impact below, an effective date of October 1, 2021 is assumed.

Revenue Impact :

FY2022

Total Approximate State Sales and Use Tax Loss **\$ - 600,000**

(Estimated Effective Date 10/1/21 --- 8 months reduced tax collection)

General Revenue - 4.5%	\$ - 402,508
Property Tax Relief - .5%	\$ - 44,723
Conservation Fund - .125%	\$ - 11,181
Educational Adequacy Fund - .875%	\$ - 78,265
Highway Fund - .5%	\$ - 44,723
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 12,600
Constitutional Officers -	\$ - 6,000

Total Approximate Local City and County Sales and Use Tax Loss **\$ - 200,000**

FY2023

Total Approximate State Sales and Use Tax Loss **\$ - 900,000**

General Revenue - 4.5%	\$ - 541,816
Property Tax Relief - .5%	\$ - 67,085
Conservation Fund - .125%	\$ - 16,771
Educational Adequacy Fund - .875%	\$ - 117,398
Highway Fund - .5%	\$ - 67,085
Educational Excellence Trust Fund -	\$ - 56,915

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Educational Adequacy (GR Transfer) -	\$ - 5,031
State Central Services -	\$ - 18,900
Constitutional Officers -	\$ - 9,000
Total Approximate Local City and County Sales and Use Tax Loss	\$ - 300,000

Taxpayer Impact :

A taxpayer utilizing cleaning or janitorial services for residential property would no longer be required to pay sales and use taxes on such services. Cleaning or janitorial services on non-residential property will remain subject to sales and use tax.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the Sales and Use Tax Rules will need to be promulgated.

Other Comments :

None.

Legal Analysis :

None.