



FISCAL NOTE

House Bill 440

Committee: Ways and Means Education

Sponsor: Representative Joe
Lovvorn

Analyst: JT Mathis

Date: 05/15/2023

House Bill 440 as introduced could reduce potential sales and use tax receipts to the Education Trust Fund (ETF), the State General Fund (SGF), and local governments by an undetermined amount, beginning January 1, 2024, dependent on (1) the applicable tax rate, and (2) the value of certain building materials, construction materials and supplies, and other tangible personal property purchased on behalf of statutorily exempt entities by contractors or subcontractors, who would be issued a certificate of exemption by the Department of Revenue for such purchase, per the provisions of this bill, and which purchase would otherwise have been taxable.

In addition, for any contractor or subcontractor found guilty of intentionally violating such exemption certificate, this bill could increase sales and use tax receipts of the ETF, SGF, and local governments by amount equal to: (1) the actual sales or use tax liability due, and (2) a civil penalty equaling the greater of (a) two times the amount of sales and use taxes that would have otherwise been paid, or (b) \$2,000.

Further, this bill would not apply to any contract entered into prior to January 1, 2024, or any contract change orders or contract extensions, if the original contract was entered into prior to January 1, 2024.