

Impose sales tax on financial, insurance, and real estate services only

Description	<p>This proposal would define the sale of certain financial, insurance, and real estate services to be a retail sale. This would cause the sale of these services to be:</p> <ul style="list-style-type: none"> • Taxed at the retailing B&O tax rate of 0.471 percent, and • Subject to sales tax <p><i>Financial services include:</i></p> <ul style="list-style-type: none"> • Securities trading services • Banking services for which a fee is charged • Financial planning advice and investment counseling • Investment management services • Arranging loans by bringing borrowers and lenders together • Providing trust, fiduciary, and custody services <p><i>Insurance services include:</i></p> <ul style="list-style-type: none"> • Soliciting, selling, or negotiating insurance or annuity contracts on behalf of an insurer or a prospective purchaser of insurance • Investigating claims arising under insurance contracts on behalf of an insurer or the insured <p><i>Real estate services include:</i></p> <ul style="list-style-type: none"> • Building inspection services • Real estate brokerage services • Real estate appraisal services • Managing residential and nonresidential real estate for others • Land surveying and mapping <p>Financial and real estate services do not include interest on loans, discount points, and the portion of loan origination or other fees that are recognized over the life of the loan as an adjustment to yield.</p>
Current Law	<p>The sales of or charges made for financial, insurance, and real estate services are not defined as a retail sale and therefore are not subject to sales tax. These services are subject to B&O tax under various classifications.</p>

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Impose sales tax on financial, insurance, and real estate services only, Continued

Revenue Impact

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$195.2	\$195.2

Notes:

- Local government revenues will decrease due to a reduction in taxable sales due to the higher tax rate (elasticity).
- Estimated impact from imposing sales tax on banking services where a fee is charged is indeterminate and is not included in the total revenue impact.
- The revenues estimated assume broad inclusion of services. Any changes or limitations to included services may result in reduced revenues.
- Estimates assume a July 1, 2012 effective date, representing 11 months of collections for FY 2013.
- Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.

Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$57,100	\$728,000	\$785,100

Note: The expenditure estimates assume broad inclusion of services. Any changes or limitations to included services could result in a change to expenditures.