

**DEPARTMENT OF TAXATION
RESEARCH DIVISION • REVENUE IMPACTS ANALYSIS**

**S.B. NO. 2240, RELATING TO TAXATION
January 24, 2008**

TITLE: S.B. 2391 Relating to General Excise Tax

PROPOSAL: Exempts commissions earned by a manufacturer's representative on the direct purchase of tangible personal property from manufacturer to customer.

REVENUE IMPACT:

- **FY2009 (loss): \$2.2 million**
- **FY2010 (loss): \$2.3 million**

METHODOLOGY:

The amount of GE collections for non-insurance commissions for CY2007 was found. From the conveyance tax receipts, an estimated amount of real-estate commissions was subtracted out, leaving non-insurance non-real-estate commissions. It was then estimated that 25% of these commissions are due to direct selling of tangible personal property, which gives the revenue impact.

DISCUSSION:

It was previously estimated that 40-60% of non-insurance non-real-estate commissions are for securities transactions. Thus a 25% for direct-selling seems fairly reasonable. Note that this will most likely happen on the wholesale level, not retail level, where the wholesale salespeople are a representative of the manufacturer, unlike at the retail level.