

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 12** HLS 183ES 11
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue **Analyst:** Benjamin Vincent
Subject: Dedications; Permanent Reduction of Suspended Exemptions

TAX/SALES-USE, STATE OR +\$173,000,000 SD RV See Note Page 1 of 1
 Expands the state sales and use tax base by restricting the applicability of certain exemptions and exclusions and dedicates the revenues attributable to the base expansion for support of the TOPS Program and certain other state educational
Current law provides that certain exemptions and exclusions from the 2% levy in R.S. 47:302 and the 1% levy in 47:321 are suspended until July 1, 2018, at which time they will become exempt again. Current law also provides that certain exemptions from the 1% levy in R.S. 47:331 are suspended until April 1, 2019.
Proposed law makes the restrictions on exclusions and exemptions to the 2% levy in R.S. 47:302 and the 1% levy in R.S. 47:321 permanent, and leaves the exemptions to the 1% levy in R.S. 47:331 unaffected. Proposed law exempts purchases of electricity in support of production activity for stripper wells from both the 47:302 (2%) and 47:331 (1%) levies, subjecting these purchases to a rate of 1% via 47:321 only.
Proposed law allocates funding to the Higher Education Initiatives Fund, TOPS Income Fund, Overcollections Fund, and Louisiana Medical Assistance Trust Fund. The total amount allocated to each fund approximately equals the anticipated revenue raised by the restriction of these exemptions and exclusions. Effective July 1, 2018.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$173,000,000	\$173,000,000	\$173,000,000	\$173,000,000	\$173,000,000	\$865,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$173,000,000	\$173,000,000	\$173,000,000	\$173,000,000	\$173,000,000	\$865,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Current law provides numerous restrictions on exemptions that will expire at the end of FY18, and some that will expire 3/4 of the way through FY19. Proposed law would increase revenues in FY19 and all years following, relative to current law, by making the restrictions on exemptions ending on July 1, 2018 permanent. The restrictions ending on April 1, 2019 will be unchanged by proposed law.

Based on sales and use tax collections since April 2016, proposed law will raise revenue collections. Retaining the suspension of exemptions on R.S. 47:302 (2%) will raise an estimated \$146 million, and retaining the suspensions for R.S. 47:321 (1%) will raise an estimated \$29 million. The partial exemption on electricity for use in stripper well production will reduce collections by an anticipated \$2 million. The net revenue impact of proposed law is to increase collections by an anticipated \$173 million in FY19 and in all years following.

Proposed law dedicates approximately all of the revenues raised by the permanent restriction of exemptions and exclusions to various funds and accounts annually. These allocations, and their stipulated use where applicable, are listed below:

- \$45 million to the Higher Education Initiatives Fund.
- \$88 million to the TOPS Income Fund.
- \$25 million to the Overcollections Fund, to fund the state portion of salaries of district attorneys, assistant district attorneys, and victims assistance coordinators.
- \$15 million to a newly-established, separate account of the LA Medical Assistance Trust Fund. Proposed law stipulates that these funds be used solely for services provided by home and community-based healthcare providers for individuals with intellectual disabilities, and for the rebasing of reimbursement rates for intermediate care facilities for individuals with intellectual disabilities.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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