



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 221 HLS 17RS 275
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

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Dept./Agy.: REVENUE Analyst: Benjamin Vincent
Subject: Sales & Use Tax Exemption: Pollution Control Machinery

TAX/SALES-USE, ST-EXEMPT OR DECREASE GF RV See Note Page 1 of 1

Defines machinery and equipment used in certain food production and timber manufacturing processes as an eligible purchase for the purposes of sales tax exclusion for machinery and equipment.

Current law excludes purchases of pollution control machinery and equipment by eligible manufacturers from state sales and use tax if the machinery or equipment is necessary to control pollution at a facility where pollution is produced by the manufacturing operation. Due to Acts 25 and 26 of the 2016 First Extraordinary Session, these purchases are excluded from 4% of the 5% tax rate, until July 1, 2018, at which time these purchases will regain full exclusion.

Proposed law expands the definition of machinery and equipment used to control pollution to include purchases of equipment used to produce, process, and store food and fiber, and purchases by timber manufacturers, if the purchase is required for compliance with emissions standards issued by the U.S. Environmental Protection Agency.

Effective July 1, 2017.

Table with 7 columns: EXPENDITURES, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

LA Dept. of Revenue (LDR) indicates that purchases for pollution control equipment by timber manufacturers and facilities that produce, process, and store food are partially excluded from sales tax under current law, and subject to a combined rate of 3%. The exclusion requires an application by the facility that must be approved by LDR and the Department of Environmental Quality. Current law provides that these purchases will be fully excluded from state sales tax effective July 1, 2018.

Proposed law would classify these purchases as manufacturing machinery and equipment, which are also partially excluded under current law. These purchases are subject to a 1% sales tax rate, and will also be fully excluded effective July 1, 2018.

The machinery and equipment exclusion offers a larger taxpayer benefit than the pollution control equipment exclusion. To the extent that timber manufacturers and food production facilities who previously claimed the smaller (2%) exclusion now claim the larger (4%) exclusion, revenues will decrease.

LDR reports that industry-specific data is not collected for purchases eligible for either exclusion, so it is not possible to precisely estimate the amount of agriculture or timber purchases that will now be eligible for the larger exclusion in FY18. The total amount of revenue lost due to the pollution control equipment exclusion in FY18 is projected to be \$4.9M, although it is likely that a material portion of these purchases will be from manufacturing industries other than timber or food products.

For FY19 and all years following, proposed law would maintain the full exclusion of these purchases, and will therefore have no revenue impacts.

Senate Dual Referral Rules
13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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