

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 565** HLS 15RS 1271  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 6, 2015 7:56 AM	<b>Author:</b> LEGER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Indefinitely suspends exemptions to 1% of state sales tax	

TAX/SALES & USE EG +\$165,000,000 GF RV See Note Page 1 of 1  
 Suspends a certain portion of state sales and use tax exemptions

Current law imposes a 4% state tax on sales of tangible personal property and certain services. Exemptions are listed in the law.

Proposed law indefinitely suspends the exemptions for 1% of state sales and use tax imposed by R.S. 47:331, 0.03% of which is levied by the Tourism Promotion District. Exemptions related to the sale of motor vehicles for lease and those required by contractual obligations are not suspended.

Effective July 1, 2015.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$165,000,000	\$168,000,000	\$171,000,000	\$175,000,000	\$178,000,000	<b>\$857,000,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$6,700,000	\$6,800,000	\$7,000,000	\$7,100,000	\$7,200,000	<b>\$34,800,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$171,700,000</b>	<b>\$174,800,000</b>	<b>\$178,000,000</b>	<b>\$182,100,000</b>	<b>\$185,200,000</b>	<b>\$891,800,000</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue indicates that any expense related to this bill will be absorbed in the current budget. However, there are numerous exemptions that are suspended by this bill, which will require a substantial effort to change forms, systems and provide customer service for such an extensive change to a multitude of items that were not previously taxed. Costs and human resources required for implementation could be significant.

**REVENUE EXPLANATION**

The Department of Revenue data indicates that the bill will increase SGF revenue by about \$165M beginning in FY 16 by suspending exemptions on a 1% sales tax rate on certain transactions. The figures are from the Tax Exemption Budget (TEB), which increases actual FY 14 exemptions by 2% to estimate FY 16, though total sales tax remittances did not grow as fast. The growth assumption beyond FY 16 is also 2%, which could fluctuate along with estimates. In addition, about \$1.6M was subtracted from the total to allow for vendors compensation payments (0.935% of sales tax remitted) and \$5.1M for the Tourism and Promotion District Levy, which is the .03% of the portion of the state sales tax referenced by the bill. The reported amounts are from a voluminous list of exemptions, though the major ones are:

Business Utilities, Water and Steam	\$107,151,000
Other Category of TEB (estimated by LDR at 25%)	56,366,658
Trucks/Trailers Used 80% for Interstate Commerce	4,077,250
Sales Tax Holidays	1,056,750
<u>Exemptions subject to 1% suspension</u>	<u>2,662,667</u>
Expected Increase in Sales Tax	\$171,314,325
less: Tourism Promotion District Levy	(5,139,430)
<u>Additional Vendor's Compensation</u>	<u>(1,553,735)</u>
 Expected Annual SGF impact (rounded)	 \$165,000,000

It is not clear which transactions are impacted by contractual obligations, and no reduction in the estimate is made with respect to that language.

Collections are likely to be low in the first month or two of this suspension, then ramp up as compliance improves. A material portion of what is foregone at the beginning of the fiscal year will likely be recouped in the accrual period at the end of the fiscal year.

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|--|----------------------------|-------|--|
| Senate   | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}                  |                            |       | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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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