

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 601** HLS 17RS 1061

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 17, 2017 5:46 PM	Author: STOKES
Dept./Agy.: LA Dept. of Revenue	Analyst: Zachary Rau
Subject: Creates Local Sales Tax and Remote Sellers Boards	

TAX/SALES-USE, LOCAL OR DECREASE GF RV See Note Page 1 of 1
Establishes the Louisiana Uniform Local Sales Tax Board and the Louisiana Sales and Use Tax Commission for Remote Sellers

Present law provides that a single transaction shall only be taxed once and provides for a refund process if taxes collected are remitted to the wrong taxing jurisdiction. Proposed law creates an optional process for local tax disputes through the Board of Tax Appeals. Present constitution authorizes taxation of sales and use by local governmental entities and requires political subdivisions to have a single collector for each parish, as well as authorizes the legislature to establish a method of providing for a single collector in each parish. Proposed law creates the LA Uniform Local Sales Tax Board ("board") and enumerates its powers. Proposed law establishes the permanent and non-permanent members of the board and provides for its terms and the board's domicile. Proposed law provides for funding of the board through a percentage of local motor vehicle sales and use taxes. Proposed law authorizes transfers to the Board of Tax Appeals in the event collections through R.S. 47:302(K) are insufficient. Proposed law creates the LA Sales and Use Tax Commission for Remote Sellers ("commission"), provides for funding through local and state sales and use taxes collected from remote sellers, and enumerates its powers under proposals such as the Market Fairness Act of 2015. Proposed law provides for permanent and non-permanent members of the commission. Proposed law allows for commission employees. Proposed law domiciles both bodies in E. Baton Rouge Parish.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase SGF expenditures and expenditures of local funds by an indeterminable amount. The proposed legislation establishes the LA Uniform Local Sales Tax Board ("Uniform Board") and the LA Sales and Use Tax Commission for Remote Sellers ("Remote Sellers Commission"). The LA Dept. of Revenue reports that it will require 16 positions to administer and aid in the operations of both the Uniform Board and Remote Sellers Commission at an annual cost of approximately \$1.53 M. LDR's interpretation of the legislation is that staff hired for use of the Remote Sellers Commission will also be used to administer provisions of the Uniform Board. The 16 positions and annual salary/included benefits are as follows: one (1) revenue tax director - \$134,882; one (1) assistant revenue tax director - \$119,178; one (1) administrative assistant - \$69,708; two (2) attorney 2 positions - \$186,904 (\$93,452 * 2); five (5) research tax analysts - \$496,237 (\$99,247 * 5); two (2) revenue tax specialists 1-2 - \$139,415 (\$69,707 * 2); one (1) revenue management consultant - \$82,985; two (2) revenue tax auditors - \$183,106 (\$91,553 * 2); one (1) revenue tax supervisor - \$116,105. However, personnel may be hired in phases each year as tax activity accelerates, especially the Remote Sellers Commission, which will likely see limited activity unless federal legislation similar to the Market Fairness Act of 2015 is enacted. LDR also anticipates one-time IT programming costs of \$684,000 in FY 18. Furthermore, the proposed legislation does not allow for board member salaries, but includes a provision for "reasonable expenses." In the event this is mileage and per diem, mileage would be reimbursed at \$0.53/mile and in-state per diem is approximately \$51 per day. In addition, discussions with the LA Board of Tax Appeals indicates that any additional hearings resulting from the optional process in the proposed legislation will be absorbed within their existing appropriation, as they do not anticipate a significant workload increase.

REVENUE EXPLANATION

Proposed law will decrease SGF sales tax receipts and local sales tax receipts by an indeterminable amount as a result of dedicating up to a maximum of 1% of state and local sales and use taxes collected from remote sellers being dedicated to the LA Sales and Use Tax Commission for Remote Sellers. The amount shall be retained on a monthly basis by the commission from current collections before allocation to state and local tax collectors. Because sales and use taxes are reported in aggregate totals inclusive of revenues remitted by remote sellers, the exact revenue loss is indeterminable, but will not be more than 1% of gross state and local collections from remote sellers in a given year, and is also limited to the actual expenses incurred by the commission.

Proposed law will decrease local motor vehicle sales and use tax (MVSUT) receipts by an indeterminable amount, as the proposed legislation dedicates .2% of local MVSUT collections in FY 18, .33% of collections in FY 19, and .5% of collections in FY 20 and in subsequent FYs to the new LA Uniform Local Sales Tax Board. The revenue decrease is indeterminable because total collections in a given year are uncertain, but based upon a three-year average local MVSUT collections (FYs 14-16) of approximately \$454.41 M, this would total \$908,820 (\$454.41 M * .2%) in FY 18, \$1.51 M (\$454.41 M * .33%) in FY 19, and \$2.27 M (\$454.41 M * .5%) in FY 20. Because the total amount of local MVSUT receipts varies from year to year, revenue loss by local governments would vary, as well. However, the proposed legislation includes provisions to adjust the dedicated revenue based upon the board's actual expenditures and requirements for the upcoming fiscal year, which may increase or decrease revenues lost by local governments.

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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