



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 626** HLS 25RS 867
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 1, 2025	2:31 PM	Author: WRIGHT
Dept./Agy.: Revenue		Analyst: Mimi Blanchard
Subject: Sale/Use tax Exemption for Ships		

TAX/SALES & USE OR DECREASE GF RV See Note Page 1 of 1
 Extends the state and local sales and use tax exemption for ships and ships' supplies to certain digital products

Current law provides exemptions from state and local sales and use taxes for materials, equipment, machinery, and other tangible personal property that become component parts of ships, vessels, or barges over 50 tons in load displacement built in Louisiana. Current law also exempts the sale of such vessels by the builder and certain materials and supplies used in the maintenance and operation of vessels exclusively engaged in foreign or interstate commerce, including repair services, laundry services, and prewritten software access services.

Proposed law retains these exemptions and expands the exemption to include digital products, such as prewritten computer software and information services, used in the maintenance or operation of the vessels. It also modifies the definition of "component part" to include digital products used during the construction or repair of such vessels. Effective July 1, 2025.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	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

LDR may incur minor expenses associated with updating tax forms, modifying the collection process, and making other administrative adjustments to accommodate the changes in the point of taxation. LFO believes that the department will be able to absorb these costs within it's current budget, but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The bill will result in an indeterminable decrease in state and local sales and use tax revenue beginning July 1, 2025. LFO cannot reasonably predict the value of the decrease due to a lack of data on digital product purchases for exempt vessels, although we believe that the provisions of the exemption may result in millions of dollars of potential foregone tax revenues for such products.

The bill expands existing exemptions for vessels to include digital products, such as prewritten software and information services, used in their construction, repair, or operation. The exemption could apply broadly to a range of high-cost digital technologies used in modern shipbuilding and vessel operation, including navigation software, onboard diagnostics, performance monitoring systems, and integrated logistics platforms. As shipbuilders and vessel operators increasingly adopt digital tools to improve efficiency and reduce operational costs, a growing share of previously taxable purchases may qualify for exemption under the proposed law.

LDR reports that the existing exemption for vessel-related purchases resulted in state sales tax losses ranging from \$11.9 M to \$13.5 M annually from FY 22 through projected FY 26.

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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