

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 241** SLS 25RS 325

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action: **w/ SEN COMM AMD**

Proposed Amd.:

Sub. Bill For.:

Date: May 20, 2025	4:11 PM	Author: MIGUEZ
Dept./Agy.: Revenue		Analyst: Mimi Blanchard
Subject: Sale/Use - Exempt Repair Cost of Rent/Lease Motor Vehicle		

TAX EXEMPTIONS EG1 DECREASE GF RV See Note Page 1 of 1
Provides for a sales and use tax exemption for the cost of repairs and parts for certain rented or leased motor vehicles. (7/1/25)

Current law imposes state and local sales and use taxes on the sale, use, lease, or rental of tangible personal property and certain services.

Proposed law creates a state and local sales and use tax exemption for the cost of parts and materials used in the repair of a motor vehicle that is rented or leased by a dealer for re-rent or re-lease to a third party. The exemption is scheduled to sunset on July 1, 2030.

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.	\$52,750	\$0	\$0	\$0	\$0	\$52,750
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Annual Total		\$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

Based on previous reports by Louisiana Department of Revenue (LDR), LFO anticipates one time costs of \$52,750 associated with updating tax forms, instructions, and processing systems to account for the new exemption. Local taxing authorities are anticipated to incur similar expenditures.

REVENUE EXPLANATION

Proposed law will result in an indeterminable but potentially significant decrease in state general fund (SGF) and local revenue, depending on the volume and value of qualifying repairs and parts for dealer-owned rental or leased vehicles. Under current law, the Louisiana Department of Revenue (LDR) considers repairs and maintenance to tangible personal property, including motor vehicles, to be taxable, and sales tax is applied to both labor and parts. However, without specific data regarding repairs of rental or leased vehicles, making the precise impact of the proposed exemption difficult to determine.

For illustrative purposes, according to the Department of Public Safety - Office of Motor Vehicles (OMV), there are approximately 76,667 leased vehicles registered in Louisiana, including both personal and commercial vehicles. National Automobile Dealers Association recommends a part-to-labor ratio of 44% parts to 56% labor for a profitable service department. Assuming each leased vehicle incurs \$1,000 in repair costs annually at an average parts cost of 44% or \$445, total repair expenditures could reach \$34.1 M per year (\$445 * 76,667 = \$34.1 M). At a 5% state sales tax rate, this equates to an estimated \$1.71 M in state revenue reduction, with an additional \$1.74 M in local revenue reduction assuming a 5.1% average local tax rate, although local rates vary by jurisdiction. It is expected that actual impacts will vary depending on the location and number of qualifying repairs and enforcement of the exemption.

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}

Deborah Vivien
Chief Economist