LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 346** HLS 25RS 928
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 20, 2025 6:03 PM
Author: DESHOTEL
Dept./Agy.: Revenue
Subject: Dedicates 5% telecommunications tax
Analyst: Deborah Vivien

FUNDS/FUNDING EG -$37,000,000 GF RV See Note

To establish the Local Infrastructure Fund

Current law levies a 5% state sales tax on certain telecommunication services in addition to the current 5% state sales tax. The additional 5% sales tax became effective January 1, 2025, and is levied in lieu of local sales tax. Taxable services include all telecommunications services, cable television services, direct-to-home satellite services, video programming services and satellite digital audio radio services. Though current law directs the proceeds to a Local Revenue Fund, that fund is not created in law which leaves proceeds in the SGF.
Proposed law retains current law and dedicates up to $10 M annually of the proceeds of the 5% telecommunications sales tax for local water and sewer systems (prioritizing those without Water Sector Program grants) under the jurisdiction of a parish or local governing authority. If HB 366 of 25 RS is approved by voters, payments may be made to locals from the fund to offset inventory tax exemptions prior to the $10 M for local water and sewer systems. Proposed law creates the Local Infrastructure Fund for such purposes. Effective upon signature retroactive to January 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**
Ded./Other	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

The bill creates the Local Infrastructure Fund with up to $10 M annually to be used for local water and sewer systems (prioritizing those without Water Sector Program grants) under the jurisdiction of a parish or local governing authority. If HB 366 of 25RS is approved by voters, payments may be made to locals from the fund to offset inventory tax exemptions prior to the $10 M for local water and sewer systems. Treasury requires certain resources to create and administer a statutory dedication, as in this bill. Should aggregate session action result in the creation of funds beyond that which can be absorbed with resources, additional funding may be required. House and Senate rules indicate that a dedication of $100,000 or more in SGF is treated as a fiscal cost, which forms the basis for dual referral.

REVENUE EXPLANATION

The bill dedicates an additional 5% state tax on telecommunications services that has been in effect since January 1, 2025, and establishes the Local Infrastructure Fund to receive the proceeds retroactively to January 1, 2025. Once the proceeds from the new tax are recognized in the official forecast, which has not yet occurred, the following amounts are estimated to be deposited into the fund: $18.3 M in FY 25, $42.8 M in FY 26, $39.5 M in FY 27, $36.5 M in FY 28, $33.8 M in FY 29, and $31.4 M in FY 30. The tax applies to a base that has historically been taxed (interstate and intrastate telecommunications) and a new base that was not previously taxed (cable television services, certain satellite services and video programming) which were estimated separately.

Historical collections of existing telecommunications sales tax have been declining by an average of about 10% annually over the last 5 years to about $737 M in FY 24. Applying a 5% rate to the same taxable sales base would result in estimated tax collections of about $33 M with outyear estimates reflect the declining collections trend.

For the newly taxable services, the state has received three months of observable remittances (sales tax is due by the 20th day of the following month). The data is uncertain with respect to full coverage of all affected dealers as they adjust to remitting on previously untaxed transactions. Current collections of newly taxable services implies taxable sales of about $16 M per month, though the pattern of monthly collections indicates some adjustments may occur in the future as the taxation of these transactions becomes more routine. At $16 M per month, a 5% sales tax would generate about $9.6 M per year. Annual growth is speculative and not included in this estimate.

FY 25 estimates are based on 3 months of actual data with average collections through the remaining months. Typically, a new tax has a ramp up of collections, which is reflected in the reduced value estimated in FY 25.

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

House
- [x] 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}

Alan M. Boxberger

Alan M. Boxberger
Legislative Fiscal Officer