

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



Fiscal Note On: **HB 27** HLS 162ES 42

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 22, 2016	4:37 PM	<b>Author:</b> BROADWATER
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Defines raw material for further processing to be excluded		

TAX/SALES & USE EN INCREASE GF RV See Note Page 1 of 1  
Changes the exclusion for sales of materials for further processing to an exemption for sales of raw materials for further processing (Item #48)

Present law provides an exclusion from state and local sales tax for the sale of materials for further processing into articles of tangible personal property for sale at retail.

Proposed law retains the exclusion and provides further descriptions for eligible raw materials for further processing. The raw materials must become a recognizable and identifiable component of the end product and be beneficial to the end product. The raw materials must also be material for further processing and purchased for the purpose of inclusion into the end product. The purchase of all raw materials for the production of agricultural, silvicultural and aquacultural products are included in the exclusion without exception. Other materials further processed into a byproduct for sale shall be taxable. Byproduct is defined as any incidental product that is sold for a sales price less than the cost of the materials. Sales tax paid on raw materials may be offset by sales tax paid on byproducts. The bill is effective for all claims filed after the effective date of the bill, regardless of the transaction date.  
Effective upon signature.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></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>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

The bill retains the sales tax exclusion for materials for further processing but more specifically defines raw materials for further processing. According to the Department of Revenue, this legislation is expected to mitigate the state and local exposure regarding a recent decision by the Louisiana Supreme Court which broadened the interpretation of further processing by allowing the dual purpose use of raw materials to qualify for the exclusion. Without the effect of this bill, the fiscal impact could have been significant as items previously considered taxable may be excluded under this decision.

Claims filed before the effective date of the bill (upon signature) will fall under the current interpretation and presumably have the potential for obtaining the exclusion due to sales of a byproduct. This bill will only effect claims filed after the effective date, and the impact can only be to reduce the exclusion as the provisions of the bill limit the parameters of the exclusion when byproducts are sold.

Senate Dual Referral Rules House

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|---|--|
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input 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} |

**John D. Carpenter**  
**Legislative Fiscal Officer**