

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 240** HLS 17RS 738
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 9, 2017	1:10 PM	Author: BROADWATER
Dept./Agy.: REVENUE		Analyst: Benjamin Vincent
Subject: Sales & Use Tax Exemption: Lease or Rental Property		

TAX/SALES-USE, ST-EXCLUSION OR -\$5,000,000 GF RV See Note Page 1 of 1
 Excludes purchases of tangible personal property purchased for lease or rental from state sales and use tax.

Current law applies a 2% tax on sales of tangible personal property for lease or rental until July 1, 2018, at which time these transactions will become fully excluded from all state sales & use tax.

Proposed law provides that purchases of tangible personal property for lease or rental are immediately fully excluded from state sales & use tax.

Effective June 1, 2017.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	(\$5,000,000)	\$0	\$0	\$0	\$0	(\$5,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$5,000,000)	\$0	\$0	\$0	\$0	(\$5,000,000)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Current law excludes 3% of the full 5% state sales and use tax for purchases of tangible personal property for lease or rental, subjecting these transactions to 2% of tax through FY18. After that, under current law, these transactions would again be exempt to entire 4% state sales tax expected under current law in FY19 and beyond. Proposed law would exclude these transactions from the remaining 2% of tax for FY18, resulting in these transactions becoming fully exempt for that year.

Based on sales tax filings over the last 5 years, average annual implied transactions for FY18 are projected to be \$252M. Relative to current law, excluding these purchases from the remaining 2% rate will result in an estimated revenue loss of \$5.0M in FY18.

The bill provides an effective date of June 1, 2017, thus some revenue loss could occur during the current fiscal year FY17.

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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