

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



Fiscal Note On: **HB 63** HLS 17RS 685  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 14, 2017 12:38 PM	<b>Author:</b> HARRIS
<b>Dept./Agy.:</b> REVENUE	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Sales/Use Tax, Advance Collection	

TAX/SALES & USE OR INCREASE GF RV See Note Page 1 of 1  
 Requires the advance collection of state sales and use tax.

Current law does not subject taxpayers to advance tax collection provisions. Prior to January 1, 2009, sales tax law directed advance collection of sales tax by manufacturers, wholesalers, jobbers, and suppliers for items sold for resale.

Proposed law reinstates advance tax provisions. Dealers will be required to pay an advance sales tax on purchases of items for resale, and then claim a credit for advance taxes paid when filing their sales tax return. The bill also proposes an exemption for advance payment for telecommunication services, dealers whose sales are comprised of more than 50% to industrial users, dealers who have been granted an exemption identification number, and for dealers with certain amounts of sales. It also prohibits local governments from requiring advance sales tax collection, and does not apply to motor vehicles.

Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	\$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>\$0</b>
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
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<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

Implementation of advance tax collections will likely take some time to establish. When eliminated in FY09, the effective date was six months into the fiscal year (January 1, 2009). LDR indicates that this proposal requires changes to the tax return, LDR's software, and the web filing application in a relatively short period of time; presumably the start of FY18, and that an additional position may also be necessary to handle associated taxpayer issues.

**REVENUE EXPLANATION**

The proposed bill would only affect revenues in the first several weeks after taking effect. When the first month of advance taxes are remitted to the state, they will augment the typical sales taxes being remitted. Some portion of the sales taxes that would have been collected the following month will be collected earlier, and in this way advance collections will result in a one-time increase in collections in the first fiscal year of implementation.

The Secretary of the LA Dept. of Revenue (LDR) is authorized to issue exemptions under certain circumstances, and suppliers to industrial users are exempted. Also, advance sales provisions apply to sales of tangible personal property only, and do not apply to rentals, leases, services, motor vehicles, or provisions where the use tax applies. Further, the advance collection provisions will not impact suppliers without nexus in Louisiana. LDR is unable to assess the likely share of transactions affected by the bill, nor the amount of sales tax collected in advance.

Some evidence for the potential magnitude of the revenue impact of advance tax collections was attempted to be obtained from the period when advance sales tax collections were eliminated in January 2009. For January 2009 and the months prior and following it, collections data reveal no identifiable change in the amount of collections that can be attributed to the elimination of advance collections. Due to this observation and the exceptions to the requirement of this bill, the revenue impact of this provision is expected to be relatively small; within the range of normal monthly variation of the tax.

LDR also indicates that collections over time may be improved through more efficient audit enforcement under an advance tax system. Any such revenue gains are speculative and dependent on enforcement resources and effort.

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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