

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 548** HLS 17RS 1100
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 4, 2017 6:01 PM	Author: DANAHAHAY
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales & Use Tax Rebate: Certain Industrial Utilities	

TAX/SALES-USE, STATE OR -\$56,900,000 GF RV See Note Page 1 of 1
 Establishes a rebate for state sales and use taxes paid on certain industrial utilities.

Current law provides for a partial suspension of the exemption of state sales and use taxes on several industrial utilities until July 1, 2018, at which time some of the exemptions will resume. On April 1, 2019, the remaining exemptions will resume and these purchases will be fully exempt, except for boiler fuel, which will be subject to a 1% rate.

Proposed law authorizes a rebate on 25% of the state sales and use tax paid on purchases of steam, water, electric power and energy, natural gas, or energy sources by manufacturing facilities assigned to NAICS sectors 31-33 in the actual manufacturing process of an item of tangible personal property. It requires a rebate request to LA Dept. of Revenue (LDR), and issue of the rebate within 90 days of a valid request.

Effective July 1, 2017.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$350,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$350,000

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	(\$56,900,000)	(\$10,800,000)	(\$600,000)	(\$600,000)	(\$600,000)	(\$69,500,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$56,900,000)	(\$10,800,000)	(\$600,000)	(\$600,000)	(\$600,000)	(\$69,500,000)

EXPENDITURE EXPLANATION

LDR reports that in addition to incurring programming, testing, and development costs, administration of proposed law will require one additional position. A Revenue Tax Specialist 1 will be needed to review and process rebate claims. The cost of that expenditure is reflected above.

REVENUE EXPLANATION

Current law provides that sales of steam, water, electricity and natural gas for nonresidential use, and purchases of utilities by approved steelworks, blast furnaces, coke ovens or rolling mills are taxed at 4% until July 1, 2018. On and after this date, these purchases will be taxed at 1% until April 1, 2019, at which time these purchases will become fully exempt.

Current law provides that sales of boiler fuel is taxed at 5% until July 1, 2018, at which time these sales will be taxed at 2%. On and after April 1, 2019, a tax of 1% will be imposed on these purchases.

Current law provides that a 3% tax is imposed on purchases of electric power, energy, or natural gas for use by paper or wood manufacturing facilities or in the direct reduced iron process until July 1, 2018, at which time these purchases will become fully exempt.

Proposed law allows manufacturers within NAICS sectors 31-33 to qualify for a rebate of 25% of taxes paid on purchases of these utilities, when they are used directly in the manufacturing process of an item of tangible personal property.

The impact of proposed law will be revenue decrease in all years, due to a rebate on taxes paid on business utilities. The amount rebated will be largest in FY18 as most business utilities exemptions will remain suspended, so the revenue loss will be the largest in this year. It will be significantly smaller in FY19 as most of the exemptions resume, and again significantly smaller still in FY20 as almost all of the temporary suspensions of exemptions on business utilities end.

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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