



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 635** HLS 17RS 511
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 7, 2017 1:21 PM	Author: IVEY
Dept./Agy.: REVENUE, MOTOR VEHICLES	Analyst: Benjamin Vincent
Subject: Sales Tax Exemption: Louisiana Annual Sales Tax Holiday	

TAX/SALES-USE, EXEMPT OR -\$645,000 GF RV See Note Page 1 of 1
 Extends Annual Sales Tax Holiday in August to all taxing authorities, and to include vehicles subject to license and title. Repeals Second Amendment Weekend sales tax holiday in September and Hurricane Preparedness sales tax holiday in May. Current law provides for various sales tax holidays exempting certain purchases from state sales and use taxes. Currently, a rate of 3% is imposed on transactions during each holiday until July 1, 2018, at which time subsequent holidays will be fully exempt from the state rate of 4%.

Proposed law repeals the Second Amendment Weekend and Hurricane Preparedness sales tax holidays, and extends the Annual Sales Tax Holiday exemption to taxes imposed by any taxing authority. Additionally, it includes purchases of vehicles subject to license and title as exempt during the Annual Sales Tax Holiday, and mandates participation by local taxing authorities.

Effective July 1, 2017.

EXPENDITURES	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>5 -YEAR TOTAL</u>
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	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	(\$645,000)	\$270,000	\$270,000	\$270,000	\$270,000	\$435,000
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>(\$3,130,000)</u>	<u>(\$5,240,000)</u>	<u>(\$5,240,000)</u>	<u>(\$5,240,000)</u>	<u>(\$5,240,000)</u>	(\$24,090,000)
Annual Total	(\$3,775,000)	(\$4,970,000)	(\$4,970,000)	(\$4,970,000)	(\$4,970,000)	(\$23,655,000)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law repeals the Second Amendment Weekend and Hurricane Preparedness sales tax holidays. Based on Tax Exemption Budget projections for 2018, the repeal of these two exemptions would result in a \$495,000 increase to FY18 state general fund revenues, and a \$1,050,000 increase in FY19-FY22.

As the Second Amendment Weekend holiday mandates local taxing authority participation, its repeal will also result in an increase in local fund revenues of approximately \$440,000 in FY18, and \$1,180,000 in FY19-FY22.

Proposed law also retains the Annual Sales Tax Holiday, and its applicability to the first \$2,500 of the purchase price. It expands the holiday to include purchases of vehicles subject to license and title, and to include local sales taxes.

OMV reports an average taxable vehicle sales of \$16,250,000 during the first weekend in August. An analysis produced by the Federal Reserve Board of Governors in March 2017 (with a focus on durable goods) estimates that sales tax holidays can shift sales by an average of 40% relative to a situation where there would have been no holiday. This implies a FY18 general fund loss of \$1,140,000 relative to current law, and a \$910,000 FY19-FY22 loss, due to the exemption on the first \$2,500.

Proposed law also exempts the entire holiday from local sales tax. This provision will result in a decrease in local fund revenues of approximately \$3,570,000 in FY18, and \$6,290,000 in FY19-FY22.

The overall impact of all provisions of proposed law is projected to be a loss to state general fund and local funds in FY18, followed by a small gain to the general fund with losses to local funds in FY19-FY22.

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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