

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



Fiscal Note On: **HB 673** HLS 17RS 1222

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

**REVISED**

<b>Date:</b> May 21, 2017	3:35 PM	<b>Author:</b> STOKES
<b>Dept./Agy.:</b> REVENUE		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Sales Tax: Streamlining Various Provisions		

TAX/SALES-USE EG SEE FISC NOTE GF RV See Note Page 1 of 2  
Amends, reenacts, or repeals various sales and use tax statutes. Enacts new exemption and refund statutes.

Current law imposes a tax on the sale, use, lease, or rental of tangible personal property and sale of certain services at various rates, and provides for exemptions and exclusions of various amounts.

Proposed law repeals approximately 75 states sales tax and 22 local sales tax statutes. Some are reenacted as exemptions or refunds, and some reenacted exemptions have broader language for the purpose of consolidation. The bill also enacts 7 new refund statutes, and expands several exemptions to local taxing authorities. The proposed refund statutes allow local authorities to opt out of refunds for local sales tax paid.

Effective July 1, 2018.

<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.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<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>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>
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW					
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	SEE BELOW					
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

LA Dept. of Revenue (LDR) anticipates that they may require as many as 7 additional positions for administering the increased number of refund claims and filed returns that will result due to proposed law. LDR notes that certain provisions could result in significant increases in filings due to refund claims for transactions that previously would have simply been made using exemption certificates. The time limitation requiring refund issuance is also likely to require additional resources for the Dept to comply with.

An expenditure impact of \$488,000 per year reflects the cost of the additional positions using the average salary and benefits of a Revenue Tax Specialist. Additionally, LDR anticipates costs incurred associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time (\$52,000 in this case).

**REVENUE EXPLANATION**

Proposed law would repeal numerous exemptions and exclusions, reenact most of them as refunds or exemptions, reenact some of them as exemptions with broader language, extend some exemptions to local taxing authorities, and enact some new refunds. All provisions are effective July 1, 2018.

Repealed exemptions that are reenacted as refunds will have a net impact of approximately \$0 to the general fund and dedications. As local authorities would be able to opt out, the impact on local funds of the refunds provisions is unknown.

Repealed exemptions re-enacted with broader language and local applicability will result in a revenue loss of unknown size.

Repealed exemptions that are not replaced will increase FY19 revenues by approximately \$5 million.

The revenue gains from repealed exemptions will be offset to an unknown extent by losses from re-enacted exemptions. Proposed law may cause either an increase or decrease to general fund, dedicated, and local fund revenues. LDR notes that proposed law limits the amount of time LDR is able to review claims prior to issuing refunds, which may impair effective enforcement.

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}

*Gregory V. Albrecht*  
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**Chief Economist**

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**CONTINUED EXPLANATION from page one:**

The following are the largest repealed exemptions that are expected to raise revenue:

- Purchases of machinery and equipment by certain utilities under NAICS 22111 \$2.9 million
- Admissions to art, history, or scientific museums, aquariums, parks, nature centers, etc \$2.0 million

The largest expanded exemption that is expected to reduce revenue is the exemption on already-existing fixed-fee and maximum-price construction contracts from increased sales tax rates. This provision is identical to HB264. The fiscal note for HB264 estimates a revenue decrease of unknown size, but points out that if the provision had applied to the April 2016 tax rate increase, it would have resulted in a maximum exposure to state revenue of \$37 million, if all of these contracts were affected by the bill.

Senate

Dual Referral Rules

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House

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- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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