



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 23** HLS 181ES 90
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 18, 2018 3:41 PM **Author:** DWIGHT
Dept./Agy.: REVENUE **Analyst:** Benjamin Vincent
Subject: Sales Tax: Standardize and Broaden Base Across All Levies

TAX/SALES & USE OR +\$550,500,000 GF RV See Note Page 1 of 1
 Subjects all sales & use tax levies in FY19 and beyond to a broader, identical, and permanent tax base. Makes 0.5% of the temporary sales & use tax permanent.

Current law subjects certain transactions to sales and use tax via levies in R.S. 47:302 (2%), 47:321 (1%), 47:331 (0.97%), and 47:321.1 (1%). Each levy is subject to a particular list of exemptions and exclusions, some of which are temporarily suspended through FY18. R.S. 51:1286 applies an additional levy of 0.03% to all transactions covered by R.S. 47:331, the proceeds of which are allocated to the LA Tourism Promotion District (TPD). The levy in R.S. 47:321.1 (1%) will expire on June 30, 2018. Certain business utilities are taxed at 1% until March 31, 2019, at which time they will become fully exempt.

Proposed law removes and/or sunsets certain exemptions and exclusions to the levies such that the taxable base for all levies will be identical in FY19 and beyond. Proposed law provides that the temporary levy of 1% in R.S. 47:321.1 becomes permanent at a rate of 0.5% on July 1, 2018. Proposed law provides that certain business utilities will be exempt from certain levies. Effective July 1, 2018.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$550,500,000	\$586,400,000	\$586,400,000	\$586,400,000	\$586,400,000	\$2,896,100,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$3,900,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	\$20,300,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$554,400,000	\$590,500,000	\$590,500,000	\$590,500,000	\$590,500,000	\$2,916,400,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law generally eliminates exemptions and exclusions as defined in R.S. Title 47 and applies a uniform list of exemptions and exclusions to each levy. It makes the temporary levy in R.S. 47:321.1 permanent and reduces the rate to 0.5%, starting July 1, 2018. The total tax rate applying to all transactions in the uniform base will be 4.5%; 4.47% to the state General Fund, and 0.03% to the Louisiana Tourism Promotion District (TPD).

Purchases of utilities made by businesses defined as manufacturers with a NAICS code of 31-33 will be exempt from the levies in R.S. 47:302 and 47:321.1. Those purchases will be subject to a total rate of 2.0%. Purchases of utilities made by non-manufacturing businesses will be exempt from the levy in 47:321.1, and subject to a total rate of 4.0%.

Based on reported sales and tax receipts by sales tax remitters since April 2016, proposed law will increase total revenue by an estimated \$554.4 million in FY19 (\$550.5 million General Fund + \$3.9 million TPD), relative to current law in FY19.

Current law provides that certain business utilities will be taxed at 1% for 9 months of FY19. This provision will be replaced by proposed law, which diminishes the revenue gain in FY19 by approximately \$36 million, to the FY19 total in the table above. Business utilities will generate an estimated \$131 million in FY20 and all years following, resulting in a total revenue impact of \$590.5 million (\$586.4 million General Fund + \$4.1 million TPD) for those years.

Increased collections under the 0.03% levy applied by R.S. 51:1286 (LA Tourism Promotion District) account for the revenue increase to the Ded./Other revenues in the table above.

The most significant revenue-generating items in FY19 are listed below (totals may not match table above due to rounding):

- Applying 0.5% levy to the bill's tax base (excluding motor vehicles and business utilities): \$387 mil
- Business Utilities- 2.0% to industrial, 4.0% to other commercial utilities: \$95 mil
- Applying 0.5% levy to motor vehicle purchases: \$49 mil
- Removing exemptions from 4% of levies (approx 105 items, all less than \$5 mil each): \$24 mil

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
Gregory V. Albrecht
Chief Economist