

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 27** HLS 182ES 22
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

Date: May 25, 2018	11:01 AM	Author: HARRIS, L.
Dept./Agy.: REVENUE		Analyst: Benjamin Vincent
Subject: Sales Tax: Retain 0.33% Levy, Standardize/Broaden Base		

TAX/SALES-USE, STATE OR +\$366,000,000 GF RV See Note Page 1 of 1
 Subjects all sales & use tax levies in FY19 and beyond to a broader, more uniform, and permanent tax base. Retains 0.33% of the temporary sales & use tax through FY 2023. (Item #22)

Present 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 levies an additional three hundredths of one percent sales and use tax on all transactions covered by R.S. 47:331, and allocates the proceeds 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 retains the temporary levy of 1% in R.S. 47:321.1 at a rate of one-third of a percent (0.33%) through June 30, 2023. Proposed law provides that certain business utilities will be exempt from

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	<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	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$358,000,000	\$394,000,000	\$394,000,000	\$394,000,000	\$394,000,000	\$1,934,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$15,000,000
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	\$361,000,000	\$397,000,000	\$397,000,000	\$397,000,000	\$397,000,000	\$1,949,000,000

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 retains the temporary levy in R.S. 47:321.1 through FY23 and reduces the rate to 0.33%, starting July 1, 2018. The total tax rate applying to all transactions in the uniform base will be 4.33%; 4.3% to the state General Fund, and 0.03% to the Louisiana Tourism Promotion District (TPD). After FY23, the total rate will be 4.0%.

Purchases of utilities made by businesses defined as industrial users will be exempt from all levies other than R.S. 47:302 (2%), and subject to a total rate of 2%.

Based on reported sales and tax receipts by sales tax remitters since April 2016, proposed law will increase total revenue by an estimated \$361 million in FY19 (\$358 million General Fund + \$3 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 \$96 million in FY20 and all years following, resulting in a total revenue impact of \$397 million (\$394 million General Fund + \$3 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 0.33% levy to the bill's tax base (excluding motor vehicles and business utilities): \$257 mil
 Business Utilities- 2%: \$60 mil
 Applying 0.33% levy to motor vehicle purchases: \$33 mil
 Removing exemptions from 4% of levies (approx. 100 items, all less than \$5 mil each): \$11 mil

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer