

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 12** HLS 182ES 39
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 1, 2018	1:48 PM	Author: LEGER
Dept./Agy.: REVENUE		Analyst: Benjamin Vincent
Subject: Sales Tax: Retain 0.33% Levy, Standardize/Broaden Base		

TAX/SALES-USE, STATE RE1 +\$641,000,000 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, and permanently retains 0.33% of the temporary sales & use tax. (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 and permanent. Proposed law makes permanent the temporary levy of 1% in R.S. 47:321.1 and reduces the rate to one-third of a percent (0.33%). 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.	\$641,000,000	\$678,000,000	\$678,000,000	\$678,000,000	\$678,000,000	\$3,353,000,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$644,000,000	\$681,000,000	\$681,000,000	\$681,000,000	\$681,000,000	\$3,368,000,000

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 and applies a uniform list of exemptions and exclusions to each levy permanently. It permanently retains the temporary levy in R.S. 47:321.1 and reduces the rate to 0.33%, starting July 1, 2018. The total tax rate applying to 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).

Purchases of utilities made by businesses will be subject to the same total rate as other purchases.

Based on reported sales and tax receipts by sales tax remitters since April 2016, proposed law will increase total revenue by an estimated \$644 million in FY19 (\$641 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. Proposed law replaces this provision, which will diminish the revenue gain by approximately \$36 million in FY19 only. In FY20 and all years following, business utilities will generate an additional \$36 million, resulting in \$208 million total from business utilities, and a total revenue impact of \$681 million (\$678 million General Fund + \$3 million TPD).

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): \$270 mil
 Business Utilities- 2%: \$172 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): \$169 mil
 Pursuant to Senate committee testimony, the fiscal note assumes that all affected transactions continue to be fully subject to taxation indefinitely.

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
 Chief Economist