

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 556** HLS 19RS 772
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 7, 2019	11:28 AM	Author: HODGES
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Sales/Use Tax Rebates: Home Elevation Materials		

TAX/TAX REBATES EG DECREASE GF RV See Note Page 1 of 1

Establishes a state sales and use tax rebate for purchases of materials used to elevate homesteads above the base flood elevation

Proposed law authorizes a rebate for state sales and use tax paid on materials used to elevate new homes above the base flood elevation, and specifies certain requirements to qualify for the rebate. Proposed law provides that the rebate is valid only for purchases on or after July 1, 2019, and excludes purchases made with certain state or federal grant funds. Proposed law requires the Department of Revenue (LDR) to audit claims for the rebate, and issue the rebate within ten days of the expiration of the six-month period following the rebate request.

Effective July 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$96,000	\$70,000	\$70,000	\$70,000	\$70,000	\$376,000
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>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$96,000	\$70,000	\$70,000	\$70,000	\$70,000	\$376,000

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The auditing of rebate claims that is contemplated in proposed law will incur agency costs. LDR reports that an additional position will be required to review and process rebate claims. The expenditures indicated above reflect the cost of a Revenue Tax Specialist 1 (\$70,000 wages & benefits), in addition to \$26,000 in one-time IT costs.

REVENUE EXPLANATION

Proposed law will result in an indeterminable decrease in state general fund revenues, determined by the number of qualifying applications received, and the cost of raising each individual homestead.

Depending on the size of the home, the height to which it is raised, and the type of foundation upon which the raised structure will rest, the cost of this procedure typically exceeds \$30,000 and can in some cases exceed \$150,000. The relative cost of labor and materials can vary greatly. Any attempt to estimate the number of homeowners that would qualify and the cost per homestead elevation would be speculative. For information purposes, according to East Baton Rouge Parish data, only 15 residential permits related to elevating homes have been issued so far in the parish following the 2016 floods through March 2019. This suggests a relatively small baseline of elevations in the future which might be eligible for this exemption.

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