

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 599** HLS 19RS 1034
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Sales Tax: Gradual Repeal of 0.45% Levy	

TAX/SALES & USE RE -\$392,000,000 GF RV See Note Page 1 of 1
 Reduces the rate of the .45% state sales and use tax levy over a certain period of time

Present law applies a temporary state sales and use tax levy of 0.45% via R.S. 47:321.1, which contributes to a combined state sales and use tax rate of 4.45%. The levy is effective through June 30, 2025, at which time the state rate will be 4.0%.

Proposed law dedicates the avails of 0.05% of the levy to the LA Early Childhood Education Fund from FY21 through FY25.

Proposed law reduces the 0.45% state sales and use tax levy in R.S. 47:321.1 to 0.35%, effective July 1, 2020. Proposed law reduces the 0.45% levy to 0.25%, effective July 1, 2021. Proposed law reduces the 0.45% levy to 0.15%, effective July 1, 2022. Proposed law reduces the 0.45% levy to 0.05%, effective July 1, 2023.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	\$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>	<u>\$0</u>
Annual Total					\$0	\$0
REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$131,000,000)	(\$218,000,000)	(\$305,000,000)	(\$392,000,000)	(\$1,046,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$44,000,000	\$44,000,000	\$44,000,000	\$44,000,000	\$176,000,000
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>	<u>\$0</u>
Annual Total	\$0	(\$87,000,000)	(\$174,000,000)	(\$261,000,000)	(\$348,000,000)	(\$870,000,000)

EXPENDITURE EXPLANATION

LDR anticipates expenditures for systems costs and tax form redesign to be incurred for each of the four changes to the tax rate directed by proposed law. This is reflected in the table above as four one-time costs of approximately \$231,000.

REVENUE EXPLANATION

Proposed law reduces the 0.45% levy by 0.10% for FY21, reduces it by an additional 0.10% for FY22, reduces it by an additional 0.10% for FY23, and reduces it an additional 0.10% for FY24.

Based on the fiscal note for HB10 of the Third Extraordinary Session of 2018, which implemented the 0.45% levy, the anticipated general fund impact of the FY21 reduction to 0.35% is a loss of \$87 mil. The general fund impact of the reduction to 0.25% on FY22 is a loss of \$174 mil, and the general fund impact of the reduction to 0.15% in FY23 is a loss of \$261 mil. The anticipated general fund revenue impact of the reduction to 0.05% in FY24 is a general fund loss of \$348 mil.

Proposed law reduces general fund revenues by an additional \$44 mil in FY21-FY25 by dedicating the avails of 0.05% of the levy to the LA Early Childhood Education Fund, resulting in the total general fund impacts reflected in the table above.

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}

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