



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 50** HLS 21RS 52
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Exemptions: Leases or Rentals for Re-lease or Re-rental		

TAX/SALES & USE EG DECREASE GF RV See Note Page 1 of 1
 Provides a state and local sales and use tax exclusion for certain re-leases or re-rentals of items of tangible personal property
Proposed law fully excludes leases or rentals made by short-term equipment rental dealers, for the purpose of re-lease or re-rental, from state and local sales and use tax. Proposed law specifies qualifying NAICS industries (532412 and 532310), and provides for a definition of "short-term rental", including a maximum rental period of 365 days.

Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	2021-22	2022-23	2023-24	2024-25	2025-26	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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

LDR reports that modifying the current set of suspended exemptions will require expenditures for tax return form redesign, and for computer system modification, development, and testing; estimated at approximately \$26,000 of staff time.

REVENUE EXPLANATION

Proposed law excludes rentals or leases by short-term equipment rental dealers in certain industries from state and local sales tax. industry 532412 include rentals of bulldozers, construction equipment and machinery, cranes, logging equipment, mining, oil field, and well drilling equipment, and welding equipment. NAICS industry 532310 include general rental centers, home and garden equipment, and rent-all centers.

According to LDR, FY20 data reporting rental and leasing transactions in these industries totaled approximately \$1 billion. The proportion of these transactions that would qualify as short term under proposed law is unknown, as is the proportion of rentals or leases that are re-rentals or re-leases. However, with a limit of 365 days, it is likely that a material proportion of rentals are short term, which implies revenue impacts that are potentially substantial. For example, a scenario where 75% of the rentals qualify as short term, and 50% of the rentals/leases are re-rentals/re-leases, would imply a state revenue impact of approximately \$16.7 million per year. If 25% of the rentals/leases are re-rentals/re-leases, the state revenue loss would be \$8.4 million per year. At 10%, the state revenue loss is over \$3 million per year.

To the extent that qualifying rentals or leases are made, state and local tax revenues will decrease. The state revenue loss is depicted as entirely state general fund in the table above, but small amounts of loss (roughly 1% of the total) will accrue to the Tourism Promotion District allocation and economic development dedications, as well. Local revenue losses will vary depending on varying tax rates and rental volumes in any particular local subdivision.

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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