



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 107** HLS 23RS 283  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 28, 2023 4:40 PM	<b>Author:</b> TURNER
<b>Dept./Agy.:</b> Local Sales Tax Collectors	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Mandates local exemption for certain prescription drugs	

TAX/SALES-USE, LOCAL-EXEM OR DECREASE LF RV See Note Page 1 of 1  
 Provides for a local sales and use tax exemption for the procurement or administration of certain prescription drugs

Current law provides for a mandatory local sales and use tax exemption for the procurement and administration of certain prescription drugs infused or injected by a healthcare professional in a medical clinic in the treatment of 46 eligible diseases and conditions. For this exemption, a medical clinic is defined in law and includes physician's offices and all licensed outpatient facilities related to the eligible diseases and conditions. Current law provides for an optional local sales tax exemption for prescription drugs related to various diseases or injuries administered in a physician's office, if the exemption is adopted by a local ordinance or resolution. Current law also authorizes an optional amnesty for local sales tax exemptions related to certain prescription drugs prior to the granting of the local exemption.

Proposed law expands the mandatory local sales tax exemption to include all prescription drugs administered in a physician's office, infusion clinic or other outpatient facility by a healthcare professional. Current law repeals the optional local exemption for prescription drugs and the amnesty for local sales tax on certain prescription drugs. Effective upon signature

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

The bill can only work to reduce local sales tax revenues by some indeterminable amount from what they would otherwise be. The magnitude of the impact appears to correspond primarily to the local procurement of prescription drugs that would be administered in an outpatient or physician office setting and that fall outside of a treatment for the list of 46 eligible diseases and conditions. Under current law, it is not clear what specific drugs are currently exempt for each condition or how much sales tax is being remitted that might be exempt already in the absence of that clarity.

Specific information regarding the aggregate taxable value of these drugs by administrative procedure is not available for all local entities. The revenue impact for any particular political subdivision will vary depending on the tax rate applied to these transactions in each subdivision, the mix of eligible facilities and the extent to which each subdivision currently exempts prescription drugs administered and sold in this manner.

It appears through data provided by the Louisiana Association of Tax Administrators (LATA) for East Baton Rouge Parish, which taxes food and prescription drugs at a partial rate, that significant sales tax of several million dollars was collected on prescription drugs during 2022. The location of the administration of those drugs and the degree to which the current exemptions will impact sales going into 2023 are not clear.

While the Legislative Fiscal Office cannot confirm estimates of tax loss statewide, the large number of potentially affected establishments in the state, the likelihood that prescription drugs that are currently taxable will be administered in a manner eligible for this exemption and the expected elevated cost of prescription drugs, form the basis of the opinion that the bill could reduce tax collections in local jurisdictions across the state by at least \$500,000, with a potential for that impact to be appreciably larger.

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}

*Alan M. Boxberger*  
**Alan M. Boxberger**  
**Interim Legislative Fiscal Officer**