



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 436** HLS 23RS 787
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 20, 2023	10:51 AM	Author: JOHNSON, TRAVIS
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: State sales tax exemption for agricultural energy systems		

TAX/SALES-USE, ST-EXEMPT OR DECREASE GF RV See Note Page 1 of 1
 Provides a state sales tax exemption for certain farmers for acquisition of renewable energy systems and items and services for energy efficiency improvements

Proposed law provides a state sales tax exemption for certified commercial farmers for the purchase, use, lease or rental of energy efficient improvements and renewable energy systems as defined in federal code. The exemption is limited to competitive grant or loan recipients from the federal Rural Energy for America Program (REAP) established by the Agricultural Improvement Act of 2018.

Effective upon governor's signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	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

The Department of Revenue indicates that implementation costs of \$51,360 will be incurred for the redesign of existing exemption forms, development of a new exemption form and the institution of new sales tax codes with computer system modifications to track the exemption.

REVENUE EXPLANATION

The proposed law can only serve to lower state and local sales tax revenue as the exemption appears to include all purchases of energy efficiency improvements and renewable energy systems purchased by commercial farmers receiving federal Rural Energy for America Program (REAP) funding. It is not clear whether these purchases may already be exempt under the current manufacturing machinery & equipment exemption for purchases made by commercial farmers. The bill does not provide an expiration date or a cap for the purchase of qualifying items so will presumably include all purchases of these systems as long as REAP funding is awarded. Due to the uncertainty, the magnitude of the decrease in state and local sales tax collections cannot be determined. Proposed law does not limit the exemption to purchases directly funded through REAP awards but authorizes purchases by those receiving REAP funding as eligible for the exemption, therefore the exemption applied to authorized equipment purchases will presumably not be limited to those purchased with REAP grants or guaranteed loans, which may increase the impact of the exemption.

The USDA website reports a total of \$2.7 M in Louisiana investment from the REAP between 2018 and 2022, presumably including loans and grants. The program had an infusion of funds with recent federal legislation and has increased the maximum grant from \$250,000 to \$500,000 for energy efficiency projects and from \$500,000 to \$1 M for renewable energy systems. Most of the state is eligible for the REAP with the exception of areas in and directly surrounding New Orleans, Baton Rouge, Lafayette, Lake Charles and Shreveport.

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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