



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 71** HLS 23RS 377
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 20, 2023	5:36 PM	Author: BISHOP, S.
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: State sales and use tax reduction in FY25		

TAX/SALES-USE, STATE OR -\$290,800,000 GF RV See Note Page 1 of 1
 Reduces the rate of the state sales and use tax

Current law provides that R.S. 47:321.1 levies a temporary state sales tax of 0.45% through June 30, 2025, at which time the levy will expire for FY 26 and beyond.

Proposed law reduces the rate of the temporary sales tax by 0.15% from 0.45% to 0.30% during FY 24 and reduces the rate by 0.3% from 0.45% to 0.15% in FY 25.

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.	(\$148,800,000)	(\$290,800,000)	\$0	\$0	\$0	(\$439,600,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$5,500,000)	(\$22,800,000)	\$0	\$0	\$0	(\$28,300,000)
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>	\$0
Annual Total	(\$154,300,000)	(\$313,600,000)	\$0	\$0	\$0	(\$467,900,000)

EXPENDITURE EXPLANATION

The Department of Revenue reports that the agency would incur operating expenses of \$92,040 in FY24 associated with programming, testing and system development costs to revise the tax rate on the general sales tax return and hotel/motel return, along with changes to software and the web filing application. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION


The temporary state sales tax of 0.45% is scheduled to expire in FY 26, reducing the state rate to 4%. The bill will accelerate the reduction in the state sales tax by two years, lowering the 0.45% temporary sales tax by 0.15% to 0.30% in FY 24 and by 0.30% to 0.15% in FY 25. With this rate reduction, state general fund revenue will decrease by an estimated \$148.8 M in FY 24 and by \$290.8 M in FY 25 while the 60% of motor vehicle sales tax revenue that is dedicated to the Transportation Trust Fund - Construction Subfund will be reduced by an estimated \$5.5 M in FY 24 and by \$22.8 M in FY 25. The total impact is a reduction of about \$154.3 M in FY 24 and \$313.8 M in FY 25. This estimate assumes the long range 12/15/22 REC forecast for general and vehicle sales tax materializes. Any substantial changes to the REC forecast could impact these estimates.

The dedications within the Construction Subfund will be impacted in the following way:

75%		FY24	FY25	
	Megaprojects Leverage Fund (75% up to \$160M)	(\$4.1 M)	\$0	(the cap of \$160 M is binding in FY25)
	Cash Projects remainder	\$0	(\$17.1 M)	
25%				
	Road preservation or federal match	(\$1.4 M)	(\$5.7 M)	

Several adjustments are made to the base REC forecast for purposes of this note. Business utilities are not subject to the temporary sales tax and are removed from the REC base estimate using the figures in the 2022 Tax Exemption Budget, growing by 2% in the out years. Dedications to the LED Fund and the 0.03% Tourism Promotion District levy are also removed from the REC base as neither are related to the 0.45% rate. Hotel room rentals are subject to the entire 4.45% state tax rate but only the 0.45% levy flows to the SGF with the remaining 4% levies dedicated back to the areas in which the taxes are generated.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


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