



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 257** HLS 23RS 88
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 20, 2023	5:44 PM	Author: WRIGHT
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: State sales and use tax reduction in FY25		

TAX/SALES & USE OR DECREASE GF RV See Note Page 1 of 2
 Reduces the state sales and use tax rate and extends sales and use taxes to digital goods delivered into Louisiana

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 repeals the 0.45% temporary sales tax beginning in FY 24. Proposed law defines digital goods, as specified in the bill, as tangible personal property subject to sales tax.

Effective upon governor's signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
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						

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 bill repeals the temporary state sales tax of 0.45% that is scheduled to expire in FY 26, at which time the state sales tax rate will be 4%. The bill also expands the sales tax base by declaring digital goods as tangible personal property subject to taxation. The bill contains definitions of certain digital goods. These two actions have offsetting effects on the general fund and related dedications. However, the sales tax increase due to taxation of digital goods is indeterminable, which makes the net impact of the bill also indeterminable.

REPEAL OF 0.45% SALES TAX


By repealing the temporary sales tax, the bill will accelerate the reduction in the state sales tax by two years, lowering the rate to 0% in FY 24 and beyond. With this rate reduction, state general fund revenue will decrease by an estimated \$442 M in FY 24 and by \$435.1 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 \$16.6 M in FY 24 and by \$34.1 M in FY 25. The total impact is a reduction of about \$458.6 M in FY 24 and \$469.3 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%		FY 24	FY 25
	Megaprojects Leverage Fund (75% up to \$160 M)	(\$8.6 M)	\$0 (the cap of \$160M is still binding in FY 25)
	Cash Projects remainder	(\$3.9 M)	(\$25.6M)
25%	Road preservation or federal match	(\$4.1 M)	(\$8.5M)

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<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}


Alan M. Boxberger
 Interim Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

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REVENUE EXPLANATION (continued)


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.

TAXATION OF DIGITAL GOODS

The impact of taxing digital goods as defined in the bill is indeterminable. According to the Department of Revenue, some of the items defined as digital goods or products may already be taxable, such as canned computer software, electronic files and "on demand" audio and video downloads, depending on the delivery and access. If new items become taxable due to this bill, state general fund and associated dedicated funds will increase by an indeterminable amount.

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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