



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 203** HLS 23RS 582  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.: **REVISED**

**Date:** April 23, 2023 1:01 PM **Author:** DEVILLIER  
**Dept./Agy.:** Revenue **Analyst:** Deborah Vivien  
**Subject:** Repeals Constitutional Sales Tax Exemptions

TAX/SALES-USE-EXEMPT OR +\$187,000,000 GF RV See Note Page 1 of 2  
 (Constitutional Amendment) Provides relative to state sales and use tax exemptions for food for home consumption, residential utilities, and prescription drugs  
Current constitution provides that certain transactions are exempt from state sales and use tax levies. These exemptions include certain residential utilities, food for home consumption, and prescription drugs.

Proposed constitutional amendment repeals the constitutional provision that exempts residential utilities, food for home consumption, and prescription drugs from state sales and use tax.

Proposed amendment to be presented to the voters on October 14, 2023. Effective January 1, 2024.

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	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$547,800,000	\$1,095,600,000	\$184,800,000	\$184,800,000	\$184,800,000	\$2,197,800,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$5,700,000	\$11,400,000	\$2,200,000	\$2,200,000	\$2,200,000	\$23,700,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$553,500,000</b>	<b>\$1,107,000,000</b>	<b>\$187,000,000</b>	<b>\$187,000,000</b>	<b>\$187,000,000</b>	<b>\$2,221,500,000</b>

**EXPENDITURE EXPLANATION**

The Secretary of State may incur minimal ballot processing costs associated with this measure should more than 10 constitutional amendments and statewide propositions be scheduled for the fall statewide elections. The Department of Revenue will incur expenses related to form and system changes to accommodate the taxation of residential utilities. 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**

In considering this bill alone, food for home consumption and prescription drugs would be taxable for half of FY 24 and all of FY 25, after which the exemption would resume due to statutory provisions. However, residential utilities would no longer be exempt from state sales tax upon the effective date of the bill, should voters approve the constitutional amendment. According to the five year average of the reported cost of these exemptions in the Tax Exemption Budget, state general fund would increase by about \$1.1 B in FY 25 (half year impact in FY 24). In FY 26, food for home consumption and prescription drugs would once again be exempt but residential utilities would remain taxable at the lower 4% state sales tax rate, lowering the estimate to \$187 M in FY 26 and beyond (**without enactment of the companion bill HB 204 of this session, upon which this bill is not contingent**). The fiscal note does not include an annual growth assumption that would make this impact larger in the out years.

In removing the constitutional protections for state sales taxation of prescription drugs, residential utilities and food for home consumption, state law would fall back to statutory exemptions. In current law, all three of these exemptions are included in the list of temporary exemptions to the state sales tax impositions in place through FY 25 but only as referenced in the constitution. This bill removes the constitutional reference, thus removing these exemptions from the temporary statutory exemptions. However, two of these exemptions, prescription drugs and food for home consumption, are also included in the statute containing permanent exemptions (RS 47:305(D)), which takes effect in FY 26. Because residential utilities is not in the permanent exemption statute, it would remain taxable indefinitely. **The sales tax exemptions for residential utilities would be repealed indefinitely. Prescription drugs and food for home consumption are included in the permanent exemption statute and would be taxable for half of FY 24 and all of FY 25, then exempt from FY 26 onward, if this constitutional amendment is approved by voters (without enactment of the companion bill HB 204 of this session).**

Additionally, the LED Fund (and Marketing Fund), to which 0.4% of collections from the 4% sales tax rate are dedicated and the Tourism and Promotion District (0.03% tax), would receive an estimated \$5.7M in FY24, \$11.4M in FY25 and \$2.2M in FY26 and beyond.

**Continued on Page 2**

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*  
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**CONTINUED EXPLANATION from page one:**

**REVENUE EXPLANATION (continued)**

Listed below is the average actual tax value of the five most recent fiscal years available in the Tax Exemption Budget of the constitutional exemptions repealed by proposed amendment.

-Food for home consumption:	\$511 M
-Residential Utilities:	\$208 M
-Prescription Drugs:	\$388 M
<b>TOTAL</b>	<b>\$1,107 M</b>

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