



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 249** HLS 23RS 680
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 25, 2023	10:48 AM	Author: TURNER
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Exempts prescription drugs from local sales tax		

TAX/SALES-USE, LOCAL-EXEM EG DECREASE LF RV See Note Page 1 of 1
 Exempts prescription drugs and insulin from local sales and use taxes

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 exempts all sales of prescription drugs and all sales of insulin whether prescribed or not, from local sales tax. Effective upon 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	\$0	\$0	\$0	\$0	\$0	\$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.	\$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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

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 taxation 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. The bill also exempts all sales of insulin, whether prescribed or not.

Specific information regarding the aggregate taxable value of these drugs 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 and the extent to which each subdivision currently exempts prescription drugs.

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.

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 no longer be taxed under this bill 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 tens of millions of dollars, 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
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 Interim Legislative Fiscal Officer