

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 127** HLS 23RS 487

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 1, 2023	7:22 PM	<b>Author:</b> HUGHES
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Exempts product samples from state excise and sales tax		

TAX/STATE RE +\$555,779 GF EX See Note Page 1 of 1  
Exempts from state excise and sales and use taxes items given free of charge as samples at conventions, trade shows, and similar events

Current law subjects all tangible personal property to 4.45% state sales and use tax (4% beginning in FY 26) unless specifically exempt. Current law subjects tobacco products to a tobacco excise tax at rates corresponding to the types of tobacco products and paid by the manufacturer or importer. Current law subjects alcoholic beverages to an alcohol tax excise tax at rates dependent upon the alcohol content and paid by the first handler. Current law exempts from state tobacco tax cigars and pipe tobacco sampled on the premises of the Premium Cigar Association convention through December 31, 2025.

Proposed law exempts from state excise and state sales tax samples of nominal value distributed for no charge in a business to business exchange at any conference, convention, exposition, trade show, professional or trade association event, business or professional meeting, corporate event, or exhibition of any kind held in the state in an effort to sell the product being sampled. The samples remain subject to state use tax. Effective August 1, 2023 through August 1, 2033.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$555,779	\$178,230	\$183,577	\$189,084	\$194,757	<b>\$1,301,427</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$555,779</b>	<b>\$178,230</b>	<b>\$183,577</b>	<b>\$189,084</b>	<b>\$194,757</b>	<b>\$1,301,427</b>

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

For the excise tax portion, which is handled differently than general sales tax, LDR indicates the need to add a system-based claim for refund form to the tax collection system and identify and notify affected taxpayers at a one-time cost of about \$440,000 given the broad range of events and products included in the bill. To administer claims, LDR reports that it will require two tax specialist positions assumed to be hired at the midpoint salary range including related benefits (roughly \$180,000/year). Personnel impacts are included at half value in FY 24 due to the effective date and time needed for system changes. It is expected that LDR will utilize state general fund as fewer self-generated funds will be available for reversion.

There will be no expenditure impact due to the sales tax change.

**REVENUE EXPLANATION**

The bill provides an exemption to state sales tax but preserves taxation by state use tax on certain samples of nominal value (as defined in the bill) distributed at no charge at certain events in business to business exchanges. The bill provides clarification that these items will not be taxed as a sales tax (retail) but will continue to be taxed as a use tax (cost price basis). Because the exemption matches current practice, there is no revenue impact.

Any impact to the alcohol excise tax will occur in the state general fund (LDR notes certain prohibitions concerning alcohol samples in law). Any excise taxes being remitted for tobacco product samples will decrease the statutory dedications that receive tobacco tax dedications, including the Tobacco Tax Healthcare Fund, the Tobacco Regulation Enforcement Fund and the Health Excellence Fund.

LDR reports an indeterminable decrease to sales tax and statutory dedications as it is not clear the proportion of current sales tax remittances that are due to actual sales and the proportion due to sample distribution.

Senate  
 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**