

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 451** SLS 24RS 1351

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 12, 2024	10:51 AM	Author: BOUIE
Dept./Agy.: Department of Revenue		Analyst: Noah O'Dell
Subject: Extends Authorization for LA Tax Free Shopping for 4 Years		

TAX/TAXATION

OR DECREASE GF RV See Note

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Extends the sunset of the Louisiana Tax Free Shopping Program.(gov sig)

Current law provides for a refund for 4.45% of state sales tax and an optional refund of local sales tax made available to international travelers under the Louisiana Tax Free Shopping Program, which is scheduled to terminate on July 1, 2024. Current law provides for the LA Tax Free Shopping Commission and gives the commission the authority to set handling fees to be charged to an international traveler for processing each refund. The handling fees may be deducted from the amount of the refund. The program currently charges a 40% handling fee that is deducted from the total sales tax for refunds paid out to international travelers.

Proposed law extends the Louisiana Tax Free Shopping Program for four years through July 1, 2028.

Effective upon governor's signature or lapse of time for gubernatorial action.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$13,845	\$13,845	\$13,845	\$13,845	\$0	\$55,380
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	\$13,845	\$13,845	\$13,845	\$13,845	\$0	\$55,380
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	\$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	\$0	\$0
Annual Total					\$0	\$0

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase \$13,845 SGR expenditures FY 25 - FY 28 within the Department of Revenue (LDR), which is the amount the agency expends to subsidize the administrative costs of the LA Tax Free Shopping Program.

This fiscal note assumes all refunds will be issued in the fiscal year in which the transaction takes place.


REVENUE EXPLANATION

Extending the LTFSP for four years is expected to result in a decrease in state and local sales tax revenue annually beginning in FY 25. Refunds within the program are largely dependent upon international economic conditions and the resulting number of international travelers who are made aware of the opportunity to claim the sales tax refund. The program has slowly seen an uptick in international travel and refunds since the pandemic.

The Tax Exemption Budget (TEB) published by the LDR data indicates that the LTFSP has issued state tax refunds of \$577,085 in FY 20, a negligible amount in FY 21, \$149,065 in FY 22, and \$238,100 in FY 23. Due to the variance in refunds issued over the life of the program and a reliance upon international travel, which varies based on economic activity, future participation in the program is unpredictable, and the estimated amount of future state revenue loss is estimated to range from roughly \$250,000 to pre-Covid levels of about \$600,000 annually.

The LA Uniform Local Sales Tax Board (LULSTB) acquired actual data on refunds issued from two local program participants: Ascension Parish (\$93,033 in FY 19, \$18,266 in FY 20, \$21,625 in FY 21, \$28,816 in FY 22, and \$23,739 in FY 23) and East Baton Rouge Parish (\$14,776 in FY 23). The program permits local tax authorities to participate in the tax free shopping program if the local tax authority adopts an ordinance or resolution authorizing a refund of its sales tax. To the extent local tax jurisdictions participate in the program, local revenues will decrease as refunds are issued from FY 25 to FY 28.

<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 checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


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