LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 578** HLS 25RS 714
Bill Text Version: **RE-REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 9, 2025 2:07 PM **Author:** EMERSON
Dept./Agy.: Revenue
Subject: Sales Tax corrections from Act 11 of 2025 ES3 **Analyst:** Mimi Blanchard

TAX/SALES & USE RR -$266,500,000 GF RV See Note
Provides with respect to state and local sales and use taxes and exemptions to those taxes

Current law imposes state and local sales taxes on tangible personal property and digital products at rates of 2%, 1%, 1%, and 1%, respectively, with 0.03% of 1% state tax allocated to tourism. Act 11 of 2024 ES3 increased the sales tax rate, broadened the base and revised the order and location of many areas of sales tax law. Current law allows a local option to exempt from sales tax certain transactions. Current law provides for a reduction of the 1% state sales tax levy under RS 47:321.1 to .75% January 1, 2030.
Proposed law retroactively adjusts the dedication to the Tourism Promotion District to match the 0.03% levy in place prior to Act 11. Proposed law retroactively adjusts various legal citations to align with LDR interpretations of intent when Act 11 was enacted by reinstating certain state and local exemptions that were repealed in Act 11. Proposed law retroactively makes certain local exemptions mandatory that were optional prior to their repeal in Act 11. Proposed law reinstates certain state and local exemptions to pre-Act 11 status. Proposed law creates the Local Revenue Fund. Proposed law provides that the R.S. 47:321.1 state sales tax levy will be reduced from 1% to 0.75% if HB 678 of the 2025 RS is approved by voters, effective 1/1/27. Retroactive provisions effective 1/1/25.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**DECREASE**	**($141,000,000)**	**($265,600,000)**	**($268,600,000)**	**($135,900,000)**	**($811,100,000)**
Agy. Self-Gen.	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	
Ded./Other	$0	$0	**($19,600,000)**	**($19,600,000)**	**($9,900,000)**	**($49,100,000)**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	
Annual Total						

EXPENDITURE EXPLANATION

LDR may incur expenses or $52,750 related to administrative requirements. 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.

The bill adjusts the dedication for the Tourism Promotion District (TPD) to 3% of 1% of sales tax collections, which is the same rate of the TPD levy prior to Act 11. Once effective, the TPD dedication will receive about $14 M from the SGF. House and Senate rules indicate that a dedication of $100,000 or more in SGF is treated as a fiscal cost, which forms the basis for dual referral. NOTE: The current REC forecast did not contemplate the adjusted levy to the TPD dedication as provided in Act 11, therefore this measure will not predicate changes to the REC forecast adopted on 12/19/24.

Treasury requires certain resources to create and administer a statutory dedication, as in this bill. Should aggregate session action result in the creation of funds beyond that which can be absorbed within existing resources, additional funding may be required

REVENUE EXPLANATION

The bill aligns citations and law with interpreted intent concerning state and local sales taxation. In some instances, Act 11 of 24 ES3 altered the sales tax base, which has been in effect since 1/1/25, or for two months of remittances: March and April receipts (January activity is due February 20 which is reported in March). LDR reports collections as interpreted, not necessarily as written, so LDR collections may not reflect the underlying statutory authorizations and, thus, the expected fiscal impacts. The bill retroactively changes law to match the LDR interpretation and collection, though LFO has not been able to verify that all statutory references are now intact and in keeping with legislative intent.

Should the constitutional amendment in HB 678 of the 2025 Regular Session be approved by voters on 11/3/26 after enactment of this bill, the state sales tax levy under R.S. 47:321.1 will be lowered from 1% to 0.75% on 1/1/27, thereby reducing the overall state sales tax rate from 5% to 4.75%. As a result, revenues to SGF would be decreased by the following amounts: $141 M in FY 27 (half year impact due to effective date), $265.6 M in FY 28, and $268.6 M in FY 29, and $135.9 in FY 30. The FY 30 estimate reflects approximately half of the annual revenue loss, as the 0.75% rate was already set to take effect midway through the fiscal year.

The dedication to the Transportation Trust Fund, Construction Subfund, is not expected to decrease in FY 27 due to current law provisions guaranteeing a fixed transfer of $40M until FY 28. Beginning in FY 28, the Construction Subfund will resume receiving 60% of state sales
REVENUE EXPLANATION CONTINUED ON PAGE 2.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Deborah Vivien
Chief Economist

Fiscal Note On: **HB** **578** HLS 25RS 714

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CONTINUED EXPLANATION from page one:

CONTINUED REVENUE EXPLANATION

tax collections on motor vehicles, and the reduction of the 1% levy to 0.75% is expected to reduce these dedicated funds by approximately $19.6 M in FY 28 and FY 29, and $9.9 M in FY 30.

The bill establishes the Local Revenue Fund, which receives proceeds from the additional 5% state tax on telecommunications services to be used solely to offset local costs of exempting the ad valorem inventory tax. Once the proceeds from the new tax are recognized in the official forecast, which has not yet occurred, roughly $40 M annually is expected to be deposited into the fund, beginning in FY 26.

The revenue table above indicates a decrease of SGF, SGR and local funds beginning in FY 26 due to transactions that were taxable under Act 11 becoming exempt in the bill.

NOTE: The current REC forecast did not contemplate several components of Act 11 of 24 ES3, including Tourism Promotion District funding, state hotel/motel dedications and the new 5% state tax on telecommunications services. Therefore the fiscal impact of this measure cannot be tied to the current official forecast adopted on 12/19/24. As additional relevant information is made available, the fiscal note may be updated.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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