LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

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

Date: June 23, 2025 10:01 AM **Author:** EMERSON
Dept./Agy.: Revenue
Subject: Sales Tax corrections from Act 11 of 2025 ES3 **Analyst:** Mimi Blanchard

TAX/SALES & USE EN DECREASE 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.
Proposed law retroactively adjusts the dedication to the Tourism Promotion District to match the 0.03% levy in place prior to Act 11 and creates the Local Revenue Fund. 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with LDR interpretations of intent when Act 11 was enacted by reinstating certain state and local exemptions that were repealed in Act 11.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 provides for certain new exemptions effective 7/1/25, including capping sales tax at $20,000 on certain boat sales. Proposed law lowers the base sales threshold for the BioDistrict tax increment financing (TIF) District from $11.7M to $1.3M effective upon signature. Retroactive provisions in the bill are 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**	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	
Agy. Self-Gen.	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	
Ded./Other	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	
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. 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 $16.2 M in FY 25 and $35.9 M in FY 26 (and a similar amount in the out years) 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. Treasury may require resources related to fund creation and administration.

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. In most instances, the bill appears to retroactively change 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. **The LFO anticipates a decrease of SGF, SGR and local funds beginning in FY 26 due to various transactions that were taxable under Act 11 becoming exempt in the bill** occurring in addition to the following descriptions.

BioDistrict TIF base sales tax reduction: Amended in conference and effective upon signature, the bill fixes the base sales tax for the New Orleans BioDistrict TIF at $1,272,394, significantly lower than the current $11,716,431 base, which has yet to be surpassed. **The lower base is estimated to reduce state sales tax collections by about $4.5M beginning in FY 26,** as 45% of sales tax collected above the base within the district will be transferred back to the district. The estimate is based on speculative collections from businesses previously flagged within the TIF, adjusted upward for the state sales tax rate increase on 1/1/25. Presumably, the TIF will continue to receive 45% of state collections in the district, though the language in the current CEA is open to interpretation. If the base change requires further approval of a CEA amendment, the start of the fiscal impact could be delayed.

Boat Sales Tax Cap: Amended in conference and effective 7/1/25, the bill caps the combined state and local sales and use tax on boats registered in Louisiana at $20,000 (after reciprocity) if the tax is paid within 90 days of purchase, which implies that state and local sales tax owed on any boat costing more than about $200,000 will be reduced ($20,000/10% = $200,000). **The SGF and local revenue loss could be significant depending on activity related to eligible boat transactions, with impacts beginning as early as FY 26.** Actual magnitude will depend on the volume and value of qualifying sales taxable events related to boat registrations. The $20,000 payment will be split evenly between state and local taxing authorities. For illustrative purposes, a $1M boat sale would reduce SGF by $40,000 and a $10M boat sale would reduce SGF by $490,000 (with statewide local revenue decreased by similar amounts). Empirical tax data specific to boat sales is not readily available, though the Dept. of Wildlife & Fisheries reports a 3-year average of 960 new or transfer registrations annually in boats above 26 feet for which higher prices may be anticipated. Beginning July 1, 2030, the $20,000 sales tax cap will be adjusted for inflation every five years.

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}

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CONTINUED EXPLANATION from page one:

Effective retroactively to January 1, 2025:

*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. **The TPD dedication will receive about $16.2 M in FY 25, $35.9 M in FY 26 (and a similar amount in the out years) from the SGF** as recognized on 5/21/25.*

The bill creates 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. **The fund will receive an estimated $18.3 M in FY 25, $42.8 M in FY 26, $39.5 M in FY 27, $36.5 M in FY 28, $33.8 M in FY 29, and $31.4 M in FY 30 from the SGF** as recognized on 5/21/25.

Effective July 1, 2025:

Based on available data, these provisions are expected to change SGF and local revenue by the following estimated amounts:

Ships and vessels (digital products): The bill expands existing vessel exemptions to include digital products such as prewritten software and information services used in construction, repair, or operation. These may include navigation systems, diagnostics, performance monitoring, and integrated logistics platforms. As digital tools become more common in shipbuilding and operations, more purchases may qualify for exemption. **An indeterminable but potentially significant (possibly millions) decrease in state and local revenue due to expanding exemptions to high-cost software and services.**

VCOM: The bill retains the existing sales tax exemption for purchases by certain independent higher education institutions and expands it to include the Edward Via College of Osteopathic Medicine (VCOM) in Monroe. VCOM supports an estimated 600 to 700 students at its Monroe campus, with average annual expenditures of about $43,700 per student in 2025 (using inflation adjustments from previously reported estimates). Estimates are made by assuming 20% of spending is taxable at 5% state and 5.99% local tax rate, though actual revenue losses will depend on VCOM's taxable purchase per year. **LFO estimates reductions of approximately $260,000 in state general fund and $300,000 in local revenue annually beginning in FY 26.**

Contractors and subcontractors on public projects: While current law allows public entities to exempt contractor purchases through agency agreements, not all public construction projects utilize this mechanism. By mandating an extension of the exemption to all contractors and subcontractors on qualifying public projects, the bill may reduce collections in cases where taxes would have otherwise been paid. **An indeterminable, but potentially significant, decrease in state and local sales tax revenues depending on implementation and enforcement.**

Purchases for projects on publicly owned property leased to private entities under payment in lieu of taxes (PILOT) or similar agreements do not qualify for a state and local sales tax exemption for contractor purchases unless the agreement is executed after the effective date of this provision (7/1/25) and approved by both the Department of Revenue and the Department of Economic Development. **The fiscal impact is indeterminable, however, to the extent that such agreements are executed and granted approval, state and local revenue will decrease.**

MM&E: Current law allows political subdivisions to adopt a local sales and use tax exemption for manufacturing machinery and equipment. The bill appears to preserve the validity of any such exemption adopted prior to December 31, 2024, even if the ordinance or resolution does not adopt all definitions or limitations provided in the revised statute. It is unclear whether the bill intends to alter the requirements for future adoptions or to grandfather in only preexisting exemptions. The fiscal impact remains indeterminable and will depend on the extent to which local taxing authorities maintain or newly adopt the exemption.

Medical Related Exemptions: The bill authorizes local taxing authorities to adopt sales and use tax exemptions listed under R.S. 47:305.2 (A) which includes various medical related exemptions. The ordinance or resolution for the adoption must include all applicable definitions, exemptions, and limitations. To the extent that local authorities adopt such exemptions, local revenues will decrease.

LDR is authorized to retain 1% of sales tax and typically reverts some amount back to the state general fund. The provisions of the bill may impact amount reverted to the SGF from LDR.

	FY 25	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**
CRT Tourism Promotion	($16,200,000)	($35,900,000)	($35,900,000)	($35,900,000)	($35,900,000)	($35,900,000)
Local Revenue Fund	($18,300,000)	($42,800,000)	($39,500,000)	($36,500,000)	($33,800,000)	($31,400,000)
VCOM	-	($ 260,000)	($ 260,000)	($ 260,000)	($ 260,000)	($ 260,000)
Biodistrict TIF	-	($ 4,500,000)	($ 4,500,000)	($ 4,500,000)	($ 4,500,000)	($ 4,500,000)
Ships/Vessels	-	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
Contractors/Subcontractors	-	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
TOTAL	**($34,500,000)**	**($83,460,000)**	**($80,160,000)**	**($77,160,000)**	**($74,460,000)**	**($72,060,000)**

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[x]	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
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