

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 57** SLS 051ES 64
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.: **w/ PROP SEN COMM AMD**

Date: November 8, 2005 5:52 PM	Author: ELLINGTON
Dept./Agy.: Revenue/LSU Center for Energy Studies	Analyst: Robert E. Hosse
Subject: Exempts state sales tax on natural gas used by paper mills	

TAX/SALES OR -\$5,900,000 GF RV See Note Page 1 of 1
 Exempts all state sales tax on natural gas purchased by Louisiana pulp and paper mills.

Proposed legislation would exempt all state sales and use tax on natural gas purchased by Louisiana paper and wood products manufacturing facilities. Effective January 1, 2006.

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-10	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	(\$5,900,000)	(\$9,600,000)	(\$9,160,000)	(\$8,252,000)	(\$2,065,000)	(\$34,977,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$5,900,000)	(\$9,600,000)	(\$9,160,000)	(\$8,252,000)	(\$2,065,000)	(\$34,977,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed legislation is estimated to result in a State General Fund revenue decrease of approximately \$5.9 million in FY06 which reflects the exclusion for one-half year. Revenue impacts in subsequent years are displayed in the table above.

The above estimate is based on LSU Center for Energy Studies analysis of industrial natural gas use prepared during the 2005 Regular Session, as well as Revenue Estimating Conference estimates for natural gas prices for FY06 (\$10/mcf) and FY07 (\$8/mcf), and DNR estimates of natural gas prices for FY08 (\$7.53/mcf), FY09 (\$6.75/mcf), and FY10 (\$6.40/mcf). Sales tax payments of the paper and allied products and lumber and wood products industries, at 3.8%, were estimated through FY09. A 1% tax rate (current law) is used to estimate revenue impact in FY10.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
Chief Economist