

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 102** SLS 051ES 400
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: November 20, 2005 2:58 PM	Author: FIELDS
Dept./Agy.: Revenue	Analyst: Robert E. Hosse
Subject: Removes exemption for extended hotel occupancy	

TAX/TAXATION EG INCREASE LF RV See Note Page 1 of 1
 Removes the exemption from the hotel occupancy tax in certain parishes for rooms rented for 30 or more days. (gov sig)

Present law exempts from local sales and use tax most local hotel occupancy when rented to the same occupant for 30 or more consecutive calendar days or when rented on an annual contract basis for consecutive or nonconsecutive days. Proposed law repeals that exemption. Effective upon governor's signature.

EXPENDITURES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The proposed legislation will result in a significant increase in local sales tax which could approach or exceed \$20 million on an annual statewide basis. This increase would largely reflect the partial recoupment of lost revenue by local entities throughout the state of their anticipated revenue stream from this tax source rather than as an increase to their sales tax base.

The legislation would enable a local sales tax levy on hotel rooms currently being rented for extended occupancy. Although neither the Department of Revenue nor the Legislative Fiscal Office have definitive information as to the number of rooms currently being occupied on this basis, it has been reported to be a significant number. The State's current 4% sales and use tax on the rental of these rooms has generated in excess of \$35 million annually. Local sales and use tax levies together with separate hotel occupancy taxes are anticipated to be as much as 3 times the state's rate on a statewide basis. This would generate revenues in excess of \$100 million annually. According to information from the Department of Culture, Recreation, and Tourism FEMA has agreed to pay state and local sales tax on its room rentals which is estimated to be as much as \$80 million annually. Accounting for the sales tax which FEMA has agreed to pay, this legislation could result in an increase of as much as \$20 million or more annually.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

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

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

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

Gregory V. Albrecht
Chief Economist