LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 42** HLS 051ES 344
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Sub. Bill For.:
Proposed Amd.:

Date: November 28, 2005 10:30 AM
Author: MONTGOMERY
Dept./Agy.: Revenue
Subject: Sales Tax Holiday December 16th, 17th, and 18th, 2005
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TAX/SALES-USE-EXEMPT EN -$10,200,000 GF RV See Note

Provides that the state sales or use tax shall not apply to consumer purchases from certain dealers of tangible personal property for non-business use on a certain date (Item #7)

Proposed legislation would provide for a state sales tax holiday December 16th through 18th, 2005. The bill specifically exempts from state sales tax on that day the first $2,500 of the sales price or cost price of any consumer purchases of tangible personal property. "Consumer purchases" are defined as items of tangible personal property, other than vehicles subject to license and title. Consumer purchases also do not include the purchase of meals furnished for consumption on the premises where purchased, including to-go orders. Proposed law would allow businesses located in a Hurricane Katrina or Hurricane Rita FEMA Individual Assistance Area to participate in the holiday after receiving a Sales Tax Holiday Exemption Certificate. The secretary of the Department of Revenue is to issue such certificates to business applicants if the business is located in such areas and the business had property that was damaged, destroyed, or lost as a result of the conditions created by those Hurricanes. Effective upon governor's signature.

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	$0	$0	$0	$0	$0	**$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.	($10,123,500)	$0	$0	$0	$0	**($10,123,500)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	($76,500)	$0	$0	$0	$0	**($76,500)**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**($10,200,000)**	**$0**	**$0**	**$0**	**$0**	**($10,200,000)**

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 decrease in State General Fund revenue (SGF at 3.97% and Tourism District at .03%) of approximately $10.2 million in FY06.

According to the Department of Revenue, general sales tax collections in December 2004 totaled $184,177,000 or an average daily amount of $5,941,200. The department further compared census data to the department's collections data, which implied that approximately 40% of the daily sales tax collections were attributable to subsectors which would be impacted by this legislation such as furniture and home furnishings, electronics and appliances, building materials and garden equipment, health and personal care, clothing and accessories, sporting goods, books, music store merchandise, general merchandise, and non-store retailers. The department assumed that 85% of the items purchased in these subsectors have a selling price of $2,500 or less, normal sales activity doubled on the sales tax holiday, the percentage of non-business retail sales increased to 75% for the sales tax holiday, and that taxpayers taking advantage of the holiday would primarily purchase items within the retail subsectors identified. Based on this information and assumptions the department estimates that the proposed legislation would result in a State General Fund revenue loss of approximately $3 million for a single day. The calculation is made as follows: ((((average daily affected sales of $56,742,000 X 2) X .75 nonbusiness retail sales) X .85 for percentage under $2,500) X .04). This calculation infers expenditures equivalent to 2 shopping days occurring if the tax holiday is one day. Expanding the holiday to 3 days, the Legislative Fiscal Office assumes that the equivalent of 5 shopping days will occur in the 3 day period, or approximately $1.45 million/day X 5 days = $7.2 million.

Proposed legislation would also allow certain businesses to participate in the holiday after receiving a Sales Tax Holiday Exemption Certificate. The secretary of the Department of Revenue is to issue such certificates to business applicants if the business is located in a Hurricane Katrina or Hurricane Rita FEMA Individual Assistance Area, and the business had property that was damaged, destroyed, or lost as a result of the conditions created by those Hurricanes. Based on prior estimates of the portion of state sales tax revenue paid by businesses on items identified by the Department of Revenue in those subsectors subject to the Sales Tax Holiday ($16 million), the area within Louisiana where damage is most likely is assumed to include no more than 40% of those collections, and that no more than half of the expected business purchases (overall) are due to the replacement of property damaged directly or indirectly by the hurricanes. Based on these assumptions, the impact of this provision is anticipated to be approximately $3 million.

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

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