

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 768** HLS 15RS 576
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 6, 2015 7:17 PM **Author:** MORRIS, JAY
Dept./Agy.: Revenue **Analyst:** Deborah Vivien
Subject: Suspends Exclusions and Exemptions and Dedicates All 321

TAX/SALES-USE, STATE EG +\$231,000,000 GF RV See Note Page 1 of 1
 Dedicates the avails of the existing one percent state sales and use tax for the support of public elementary through post-secondary education

Current law imposes a 1% state sales tax on tangible personal property, subject to exclusions and exemptions as allowed by law. Aside from dedications to Economic Development, telecommunications and hotel/motel sales, most of the proceeds of the tax are state general fund revenue.

Proposed law eliminates most exclusions and exemptions from the 1% state sales tax imposed by R.S. 47:321. Impacted areas are specified in the bill with the major ones being business utilities and manufacturing machinery and equipment (MM&E). All proceeds from general and vehicle sales of 1% state sales tax imposed on the existing and newly expanded base are then dedicated to the Stability in Education Fund created by the bill. The fund will be used exclusively for public elementary, secondary and post-secondary education. Interest and fund balance remain in the fund. Effective upon governor's signature.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	(\$792,000,000)	(\$816,000,000)	(\$840,000,000)	(\$865,000,000)	(\$883,000,000)	(\$4,196,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$1,023,000,000	\$1,052,000,000	\$1,080,000,000	\$1,111,000,000	\$1,133,000,000	\$5,399,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$231,000,000	\$236,000,000	\$240,000,000	\$246,000,000	\$250,000,000	\$1,203,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue indicates that any expenses will be absorbed in the current budget. However, bill extensively broadens the tax base for a portion of state sales tax and will impose a tax on many transactions that have not previously been taxable. Implementation could require a significant effort in system adjustment, form changes, as well as vendor and consumer support. Additional resources are likely to be required.

REVENUE EXPLANATION

The bill generates revenue to be dedicated by expanding the sales tax base for a 1% sales tax rate and also dedicates the revenue from the existing base of the same rate. The affected rate is a 1% tax levied by R.S. 47:321. All proceeds are dedicated to the Stability in Education Fund for education funding. The estimated impact is subject to certain data restrictions, especially with regard to exclusions which may have no mandatory reporting requirement. Based on the Tax Exemption Budget and an LDR estimate of exclusions and exemptions, the impact is expected to be:

	FY16	FY17	FY18	FY19	FY20
Current Sales Tax Collections for 1% (per 1/26/15 REC) - Dedicated to Ed.	\$792,175,000	816,125,000	839,725,000	865,250,000	882,555,000
<i>Eliminated Exclusions/Exemptions</i>					
Business Utilities, Water and Steam	\$107,151,000				
Manufacturing Machinery & Equipment	19,104,000				
"Other" Category (from LDR)	81,787,419				
Sales Tax Holidays	1,056,750				
Manufacturers Rebates New Vehicles	4,742,750				
Trucks/Trailers 80% in Interstate Commerce	4,077,250				
Sales of Motor Vehicles for Lease or Rental	13,254,750				
Tangible Personal Property for Lease/Rental	2,222,000				
Revenue generated by the bill	233,395,919	238,063,837	242,825,114	247,681,616	252,635,248
Additional Vendor's Compensation	(2,182,252)	(2,225,897)	(2,270,415)	(2,315,823)	(2,362,140)
New Revenue Dedicated to Education	\$231,213,667	\$235,837,940	\$240,554,699	\$245,365,793	\$250,273,109
Dedication to Stability in Ed. Fund	\$1,023,388,667	\$1,051,962,940	\$1,080,279,699	\$1,110,615,793	\$1,132,828,109

Data for virtually all exclusions is not available since there are essentially no reporting requirements for those transactions, which adds significant uncertainty to the estimate.

- Senate Dual Referral Rules House
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
- 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
- 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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