

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 104** HLS 161ES 246  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> February 22, 2016 12:56 PM	<b>Author:</b> STOKES
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Sales Tax Revisions	

TAX/SALES-USE, STATE OR SEE FISC NOTE GF RV Page 1 of 1  
 Provides for the tax base for the state sales and use tax (Items #9 and 36)

Current law imposes a 4% state sales and use tax on sales of tangible personal property and certain services with specific exemptions and exclusions. A statutory dedication of 0.4% of remittances with \$2M to the Marketing Fund and the remainder to the LA Economic Development (LED) Fund are required. Business utilities are taxed at 1% for 2015-16 fiscal year. A refundable state income tax credit is authorized for 72% of the amount of the inventory on property and vessels paid o local taxing authorities.

Proposed law expands the sales tax base and increases the rate on most items by .5% to 4.5% (2% levy goes to 2.5%), including constitutionally prohibited taxation (prescription drugs, food for home consumption, residential utilities and more) as well as business utilities, manufacturing machinery and equipment, sales tax holiday, among others. Repeal of certain major sales tax exemptions is contingent upon passage of an unspecified constitutional amendment. The rate increase is in effect from 4/1/16 to 6/30/21, at which time the the rate is lowered to 3.5% (2.5% levy goes to 1.5%). The bill also proposes a new 1% tax on business utilities, including natural gas, in the industrial sector.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
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Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

Without voter approval of a constitutional amendment there is no anticipated direct material effect on governmental expenditures as a result of this measure. With approval of an amendment, the Department of Revenue indicates that any expense related to this bill will be absorbed in the current budget. However, implementation will require a substantial effort to change forms, systems and provide customer service for such an extensive change to a multitude of items that were not previously taxed and others with a tax rate increase. Costs and human resources required for implementation could be significant.

**REVENUE EXPLANATION**

The bill is largely predicated upon voter approval of an unidentified constitutional amendment. Thus, enactment of this bill by itself may have little or no revenue impact.

The bill appears intended to substantially broaden the state sales tax base, and consequently increase revenue collections. However, numerous sales tax base provisions are being affected with uncertain interpretation or implementation. The bill possibly removes sales taxation on used vehicles, imposes sales tax on farmer's consumption of his own product, may remove the provision allowing local governments to tax food, prescription drugs, etc., imposes tax on meals to inmates at institutions, eliminates the use tax for manufacturers, changes lease/rental taxation to an accrual basis, removes For Hire Carrier reporting methods, may allow food from restaurants/caterers to be defined as food for home consumption, exempts sales but not use tax for Boy/Girl scouts, and could contain additional non-traditional changes in legislation upon further analysis. The repeal of certain major exemptions are dependent upon voter approval of a constitutional amendment (assumed to be proposed in HB 82 to allow the taxation of food for home consumption, residential utilities, and prescription drugs; HB 82 also subjects motor fuels to sales tax up to \$2/gallon). The bill also proposes a new 1% tax on business utilities, including natural gas, in the industrial sector (not defined) which may require a more descriptive guidance. In addition, sales tax rate is temporarily increased through FY21.

Sufficient analysis is unable to be completed to allow numerical estimates due to the complex and multi-faceted nature of the bill. In addition, the Department of Revenue enumerated a variety of concerns about interpretation and implementation of the bill's provisions that have not been resolved.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

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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