
The original instrument was prepared by Leonore F. Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by Thomas L. Tyler.

DIGEST

SB 25 Reengrossed

2016 First Extraordinary Session

Cortez

Present law provides for over 190 exclusions and exemptions to the state sales and use tax.

Proposed law creates the Special Committee on Tax Exemptions and Exclusions to meet and review exemptions and exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters 2-A and 2-B of this Subtitle, and R.S. 51:1286 and provides for the membership of the special committee.

Requires that appointment to the special committee be made prior to August 1, 2016 and that the chairmanship rotate every two years between the chairman of the Senate Committee on Revenue and Fiscal Affairs, or his designee and the chairman of the House Committee on Ways and Means, or his designee.

Provides that the special committee may meet and review exemptions and exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters 2-A and 2-B of this Subtitle, and R.S. 51:1286 and requires that committee identify which exemptions or exclusions were enacted before January 1, 1975, and review the exemptions or exclusions as to the following:

- (1) Determine the generally accepted, most effective economic model or models which are used to determine the economic impact of a tax exemption or exclusion.
- (2) Establish criteria for the identification of the high-performing exemptions or exclusions, based on the cost of the tax exemption or exclusion compared to:
 - (a) The revenue gained by the state.
 - (b) The revenue gained by local governments.
 - (c) The overall economic impact of the tax exemption and exclusion expenditure in terms of the number of jobs created by recipients of the exemptions and exclusions and by the direct economic activity through the economy.
 - (d) The comparison between any available original fiscal note and an updated fiscal note.
- (3) Identify the low-performing or antiquated tax exemptions and exclusions.

Proposed law requires that the special committee submit a report to the House of Representatives and Senate on or before March 15, 2017 and that this report recommend the temporary or permanent sunset, reduction, reenactment, or repeal of tax exemptions and exclusions. Requires that the report

include a summary of any possible overall reduction in the sales tax rate due to the expansion of the tax base and recommend a schedule for the review of tax exemptions and exclusions.

Proposed law authorizes the special committee meet and review exemptions and exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters 2-A and 2-B of this Subtitle, and R.S. 51:1286. Requires that prior to March 1, 2019, the committee identify which exemptions or exclusions were enacted on or after January 1, 1975, and review these exemptions or exclusions as to the following:

- (1) Determine the generally accepted, most effective economic model or models which are used to determine the economic impact of a tax exemption or exclusion.
- (2) Establish criteria for the identification of the high-performing exemptions or exclusions, based on the cost of the tax exemption or exclusion compared to:
 - (a) The revenue gained by the state.
 - (b) The revenue gained by local governments.
 - (c) The overall economic impact of the tax exemption and exclusion expenditure in terms of the number of jobs created by recipients of the exemptions and exclusions and by the direct economic activity through the economy.
 - (d) The comparison between any available original fiscal note and an updated fiscal note.
- (3) Identify the low-performing or antiquated tax exemptions and exclusions.

Proposed law further requires the committee to submit a report to the House of Representatives and Senate on or before March 15, 2019, recommending the temporary or permanent sunset, reduction, reenactment, or repeal of tax exemptions and exclusions and that this report include a summary of any possible overall reduction in the sales tax rate due to the expansion of the tax base with a recommendation of a schedule for the review of tax exemptions and exclusions.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 47:319)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Clarifies the exemption for purchases of gasoline, diesel fuel, or special fuels.
2. Adds exemptions for purchases by state and local governments and purchases of

tangible personal property and services for resale.

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill

1. Removes provisions that sunset of tax exemptions and exclusions beginning July 1, 2017, with various enumerated exceptions.
2. Creates special committee to review exemptions and exclusions of tax exemptions and exclusions without the enumerated exceptions.
 - (a) Provides for membership of the special committee.
 - (b) Requires submission of a report before March 15, 2017, with recommendations as to temporary or permanent sunset, reduction, reenactment, or repeal of exemptions and exclusions.
 - (c) Prior to March 1, 2019, requires that the special committee identify and review which exemptions or exclusions were enacted on or after January 1, 1975, including identifying low-performing or antiquated exemptions and exclusions.
 - (d) Requires submission of a report on or before March 15, 2019, with recommendations for the temporary or permanent sunset, reduction, reenactment, or repeal of tax exemptions and exclusions. Requires that this report include a summary of any possible overall reduction in the sales tax rate due to the expansion of the tax base and a recommendation of a schedule for the review of tax exemptions and exclusions.
3. Changes effective date to be effective upon signature by the governor.