

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 228** SLS 16RS 534

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 29, 2016 5:37 PM	Author: LONG
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Extends the LA Tax Free Shopping Program through FY21	

TAX/TAXATION EG -\$1,500,000 GF RV See Note Page 1 of 1
 Recreates the Tax Free Shopping (Refund) Program set to terminate on July 1, 2017. (8/1/16)

Present law provides that the Louisiana Tax Free Shopping Program, a state and local sales tax refund program for foreign visitors to the state, is effective through July 1, 2017 (FY17).

Proposed law extends the termination date to July 1, 2021 (four years FY18 - FY21). The refunds offered by the program are not applicable to the additional (5th) penny of sales tax imposed during the 2016 Special Session, but continue to apply to the original 4% state sales tax. Some local governments opt into the program, as well.

Effective upon governor's signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)	(\$6,000,000)
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>(\$1,800,000)</u>	<u>(\$1,800,000)</u>	<u>(\$1,800,000)</u>	<u>(\$1,800,000)</u>	(\$7,200,000)
Annual Total	\$0	(\$3,300,000)	(\$3,300,000)	(\$3,300,000)	(\$3,300,000)	(\$13,200,000)

EXPENDITURE EXPLANATION

The program's administrative expenditures are funded entirely by fees collected from foreign visitors applying for sales tax refunds and are not appropriated by the legislature. To fund operating expenses, the program retains 29% of state and local sales tax paid by the foreign visitors that would otherwise be refunded to them (not including the new state penny imposed during the 2016 Special Session), and also charges participating businesses for the printed vouchers they provide to eligible taxpayers for redemption through the program.

REVENUE EXPLANATION

State general fund revenues and local revenues will decrease by an estimated \$1.5M per year and \$1.8M per year, respectively, in FY18 - FY21 due to the proposed legislation. Under current law, the program continues through FY17 before this bill has an impact. Foreign visitors are claiming a total of \$3.3 million per year of state and local sales tax refunds. Foreign visitors are refunded 71% of that amount (about \$2.3M) and the program retains 29% of that amount (about \$950,000) for its expenses.

Barring economic slowdowns in the major countries sending visitors to the United States and Louisiana, comparable levels of reimbursements are likely throughout the fiscal note horizon.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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