

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



Fiscal Note On: **SB 21** SLS 17RS 41  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 6, 2017	1:35 PM	<b>Author:</b> PEACOCK
<b>Dept./Agy.:</b> REVENUE		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Sales Tax Exemption: Manufacturing Machinery		

TAX/SALES-USE, ST-EXEMPT OR -\$22,000,000 GF RV See Note Page 1 of 1

Repeals partial suspension of the state sales tax exemption for purchases and leases of manufacturing machinery and equipment, subjecting these transactions to a tax rate of 1% until July 1, 2018.

Current law applies a 1% state tax rate on purchases and leases of manufacturing machinery & equipment (MME) through June 30, 2018, at which time these transactions will become fully exempt.

Proposed law repeals the partial suspension of the state sales tax exemption for purchases and leases of MME, fully exempting these transactions for FY18.

Effective July 1, 2017.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</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>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$22,000,000)	\$0	\$0	\$0	\$0	<b>(\$22,000,000)</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>(\$22,000,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$22,000,000)</b>

**EXPENDITURE EXPLANATION**

LA Dept of Revenue (LDR) indicates some minor administrative costs will be incurred due to this proposal, due to necessary revisions to sales tax forms, LDR software, and the web filing software.

**REVENUE EXPLANATION**

The 1% state sales tax that currently applies to MME was imposed by Act 25 of the 2016 1st Extraordinary Session, prior to which MME was fully exempt. Current law provides that the 1% rate will apply until July 1, 2018, at which time MME transactions will regain full exemption. Therefore, the proposed bill will have no effect on FY19 and later.

According to Revenue Dept., reported annual sales of MME in FY16 were \$2.2 billion. Thus, assuming a comparable level of transactions, removing the 1% tax in effect for FY18 will result in a revenue loss of some \$22 million in that year.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Gregory V. Albrecht*  
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**Chief Economist**