

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 365** HLS 17RS 374
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 17, 2017 3:28 PM	Author: IVEY
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales & Use Tax Exclusion, Local: Manufacturing Machinery	

TAX/SALES-USE, LOCAL OR DECREASE LF RV See Note Page 1 of 1
 Excludes transactions involving manufacturing machinery and equipment from local sales and use tax.

Current law excludes the cost price, sales price, and lease or rental price from the definitions of "cost price", "sales price", and "gross proceeds" or "lease or rental price paid" for machinery and equipment used by certain manufacturers for manufacturing, certain agricultural purposes, or the production of items of tangible personal property. It also provides local taxing authorities the option to provide for certain exclusions and exemptions from state sales and use tax. Current law provides for the imposition of 1% state sales and use tax on these transactions until July 1, 2018, at which time they will become fully excluded.

Proposed law replaces the option of local authorities to provide for exclusions and exemptions with a mandatory exclusion by extending the exclusion for manufacturing machinery and equipment to any sales and use tax levied by any taxing authority. Effective date contingent on enactment of a House Bill to be specified at a later date.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	2017-18	2018-19	2019-20	2020-21	2021-22	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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law does not address state sales tax exclusions or exemptions, and is not projected to impact state revenues.

LA Dept. of Revenue (LDR) does not collect data on sales tax exemptions, exclusions, or collections by locality, therefore a precise estimate of revenue impacts on local taxing authorities is not possible. However, a significant revenue loss for local funds may result due to proposed law.

Sales tax returns for the state tax imply a potential local taxable base of \$2.4 billion of expenditures for manufacturing machinery and equipment and rubber-tired farm equipment and attachments that could be impacted by this proposal. Thus, each 1% of local sales tax exempted across all jurisdictions implies \$24 million of aggregate local sales tax revenue loss.

However, a few local jurisdictions have already exercised the option to exempt manufacturing machinery and equipment from some portion of local tax and/or in certain local areas. To the extent that has occurred, the exemption mandated by this bill would reduce aggregate local revenue by less than the amount implied above, per 1% of sales tax across all local jurisdictions.

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
Chief Economist