

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 636** HLS 17RS 1310
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 7, 2017 11:39 AM	Author: IVEY
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales and Use Tax: Exemptions and Exclusions	

TAX/SALES-USE, STATE OR +\$196,000,000 GF RV See Note Page 1 of 1
 Repeals the July 1, 2018 sunset date on certain exclusions and exemptions.

Current law imposes a 5% combined state sales and use tax via multiple separate levies. Certain exemptions and exclusions are provided for each levy, and some exemptions and exclusions are currently suspended until July 1, 2018.

Proposed law makes the temporary suspension of exemptions from the 2% levy provided by R.S. 47:302 permanent. It also changes the expiration date of the 1% levy in R.S. 47:321.1 from June 30, 2018 to July 1, 2018.

Effective July 1, 2018, provided that HCR 4 is adopted (modification of the expenditure limit), and that HB119 (fiscal transparency website) and HB355 (comprehensive tax code revision) of the 2017 Regular Session are enacted.

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	\$0	\$0	\$0	\$0	\$0	\$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	\$196,000,000	\$196,000,000	\$196,000,000	\$196,000,000	\$784,000,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$196,000,000	\$196,000,000	\$196,000,000	\$196,000,000	\$784,000,000

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

The LA Dept. of Revenue (LDR) has only recently been attempting to collect information on formerly exempt transactions now subject to various levies of tax. That effort is still in its infancy and taxpayer reporting has been inconsistent. However, based on reported sales tax receipts by remitters since April 2016, LDR estimates a projected \$196 million in additional FY18 revenues due to the permanent suspension of exemptions applicable to the 2% levy in R.S. 47:302 by current law. This figure includes additional collections of \$188M associated with numerous exemptions to the general sales and use tax, and additional motor vehicle collections of \$8M associated predominantly with tax on manufacturer rebates on vehicle sales.

The total revenue impact due to proposed law is an projected \$196 million increase in FY19-FY22. However, this potential revenue impact is contingent upon passage of three other instruments.

The impact of moving the expiration date of the 1% levy in R.S. 47:321.1 from June 30, 2018 to July 1, 2018 is immaterial. The Dept indicates that this change of one day could lead to reporting errors.

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}

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