

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 673** HLS 17RS 1222

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 8, 2017	9:08 AM	Author: STOKES
Dept./Agy.: REVENUE		Analyst: Benjamin Vincent
Subject: Sales Tax: Streamlining Various Provisions		

TAX/SALES-USE OR SEE FISC NOTE GF RV Page 1 of 1
Amends, re-enacts, or repeals various sales and use tax statutes. Enacts new exemption and refund statutes.

Current law imposes a tax on the sale, use, lease, or rental of tangible personal property and sale of certain services at various rates, and provides for exemptions and exclusions of various amounts.

Proposed law repeals approximately 75 states sales tax and 22 local sales tax statutes. Some are re-enacted as exemptions or refunds, and some re-enacted exemptions have broader language for the purpose of consolidation. The bill also enacts 7 new refund statutes, and expands several exemptions to local taxing authorities. The proposed refund statutes allow local authorities to opt out of refunds for local sales tax paid.

Effective July 1, 2018.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

LA Dept. of Revenue (LDR) anticipates that they may require as many as 7 additional positions for administering the increased number of refund claims and filed returns that will result due to proposed law. LDR notes that certain provisions would result in significant increases in filings due to refunds claims for purchases that previously would have simply been made using exemption certificates. The time limitation requiring refund issuance is also likely to require additional resources for the Dept to comply with.

LDR estimates a potential additional 24,000 claims per year due to one provision alone, and 5,600 due to another. An expenditure impact of \$488,000 per year reflects the cost of the additional positions using the average salary and benefits of a Revenue Tax Specialist (plus \$52,000 of one-time costs in the first year for system modifications).

Additionally, LDR anticipates costs incurred 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, and this figure is not included in the expenditure impacts above.

REVENUE EXPLANATION

Proposed law would repeal certain exemptions and exclusions, and reenact some of them as refunds or exemptions. Some reenacted exemptions would have broader language than the provision they replace, and some are extended to local taxing authorities. The bill would also enact some new refunds. All provisions are effective July 1, 2018, so none will impact FY18.

The provisions that are outright repealed are estimated to result in a FY19 general fund revenue gain of \$25,760,000. This projection is constructed by LDR based on the Tax Exemption Budget, updated collections data, and a 4% rate.

The impact of the provisions that are repealed and re-enacted as exemptions, with broader language and applicability to local authorities, is projected to be a revenue loss of unknown size to the state tax collections and to local funds.

The repealed provisions that are re-enacted as refunds are projected to have a general fund net impact of \$0, as it is assumed that refunds would be claimed on previously-exempt transactions. The local funds impact is indeterminable, as proposed law allows local authorities to opt out of the refund provision. LDR notes that proposed law will limit the amount of time LDR is able to review claims prior to issuing refunds, which may impair effective enforcement.

The net impact of the bill is indeterminable to the general fund, statutory dedications, and local funds.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" 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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