



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

Fiscal Note On: **HB 668** HLS 17RS 1116  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|   |                                  |
|---|----------------------------------|
| <b>Date:</b> May 11, 2017 6:00 PM           | <b>Author:</b> STOKES            |
| <b>Dept./Agy.:</b> REVENUE                  | <b>Analyst:</b> Benjamin Vincent |
| <b>Subject:</b> Sales Tax Exemptions: Local |                                  |

TAX/SALES-USE EG -\$39,300,000 LF RV See Note Page 1 of 1  
 Extends the applicability of certain sales and use tax exemptions to local sales & use taxes.

Current law provides for various exemptions from state and local sales and use taxes. Several inconsistencies exist between the state sales tax base and the local sales tax base.

Proposed law phases in certain local sales tax exemptions evenly over four years for purchases where state sales tax exemptions already exist. The bill exempts certain purchases by radio and television station owners from state and local sales and use tax.

Effective October 1, 2017, pending enactment of either HB 559 or HB 562. All local exemptions are fully phased-in on October 1, 2020.

| 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> | <u>\$0</u>    |
| <b>Annual Total</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b>    |

  

| 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         | <u>(\$7,400,000)</u> | <u>(\$17,200,000)</u> | <u>(\$27,000,000)</u> | <u>(\$36,800,000)</u> | <u>(\$39,300,000)</u> | <u>(\$127,700,000)</u> |
| <b>Annual Total</b> | <b>(\$7,400,000)</b> | <b>(\$17,200,000)</b> | <b>(\$27,000,000)</b> | <b>(\$36,800,000)</b> | <b>(\$39,300,000)</b> | <b>(\$127,700,000)</b> |

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

Proposed law imposes local sales tax exemptions on certain purchases that are currently exempt from state sales taxes, and will have no impact on state revenues. Proposed law extends local exemption to various purchases of medical and farming supplies and equipment.

The purchases that are extended local exemptions include: livestock sold at market, materials, bait or feed used in the production of crawfish or catfish, orthotic, prosthetic, ostomy, ileostomy or colostomy devices, patient aids for home use or medical devices used by patients when prescribed, purchases by commercial fishermen or seafood processing facilities, purchases by radiation therapy centers, farm fuel, polyroll tubing, the first \$50,000 of certain farm equipment, and certain machinery and equipment for radio and television stations. Repair services to property that will be delivered outside of LA and parts or services used in fabrication, modification, or repair of rail rolling stock are also extended local exemptions.

Proposed law phases local sales tax exemptions in over four years, with an additional 25% of the sales price exempted each year. On October 1, 2017, 25% of the sales price will be exempt from local sales taxes. On October 1, 2018, 50% will be exempt. 100% of the sales price will be exempt from local sales taxes as of October 1, 2020.

Proposed law also exempts certain purchases of machinery and equipment by owners of radio or television stations from state and local sales taxes, if the equipment purchased is required to maintain a license with the Federal Communications Commission. LA Dept. of Revenue notes that proposed law does not address the provisions of Acts 25 & 26, so the state sales tax rates on these purchases will not be impacted by proposed law, and these purchases are presently included in the exemptions for manufacturing machinery & equipment (MM&E).

For the estimation of the revenue impacts above, an implied sales tax base is calculated for each item based on the Tax Exemption Budget and prior fiscal notes, and an average local sales tax rate of 4% is applied. This results in an estimated revenue loss of \$39.3M to local funds on a full annual basis, which will be realized in FY22. The phase-in schedule and impacts during the phase-in years are reflected in the revenue impacts above.

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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