

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 673** HLS 17RS 1222
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE FLOOR AMD**
 Sub. Bill For.:

Date: May 25, 2017 9:15 AM	Author: STOKES
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales Tax: Streamlining Various Provisions	

TAX/SALES-USE RE SEE FISC NOTE GF RV See Note Page 1 of 1
 Amends, reenacts, 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 numerous state and numerous local sales tax statutes. Some are reenacted as exemptions or refunds, and some reenacted exemptions have broader language for the purpose of consolidation. The bill also enacts several 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.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

LA Dept. of Revenue (LDR) anticipates 3 additional positions for administering the increased number of refund claims and filed returns due to proposed law. LDR notes that certain provisions could result in a substantial increase in filings, due to refund claims for transactions that previously would have been made using exemption certificates. Approximately \$209,000 per year reflects additional personnel costs using the average salary and benefits of a Revenue Tax Specialist. Additionally, system design, modification, and testing costs are estimated by LDR to be approximately \$52,000 of staff time.

REVENUE EXPLANATION

Proposed law would repeal numerous exemptions and exclusions, reenact most of them as refunds or exemptions, reenact some of them as exemptions with broader language, extend some exemptions to local taxing authorities, and enact some new refunds. All provisions are effective July 1, 2018.

Exemptions/exclusions that are repealed without replacement will increase revenue, while exemptions that are replaced or consolidated will tend to reduce revenue or have no impact. Revenue gains due to certain provisions will be offset to an unknown extent by losses due to other provisions. Thus, proposed law may cause either an increase or decrease to general fund, dedicated, and local fund revenues.

Repealed exemptions re-enacted with broader language and local applicability will result in a revenue loss of unknown size. Repealed exemptions that are not replaced will increase revenues by approximately \$3 million in FY19. Repealed exemptions that are reenacted as refunds will have a net impact of approximately \$0 to the general fund and dedications. As local authorities would be able to opt out of certain refund provisions, the impact on local funds of these provisions is unknown.

At the time of the writing of this note, the proposed amendment referred to certain lines on page 11 of the current bill version, while the construction contracts provision was on page 10. Legislative staff has informed LFO that a revision that will update the amendment to remove the construction contracts provision is pending, and will make no other changes relative to the Re-Engrossed version. This fiscal note assumes that the proposed amendments remove all provisions for fixed-fee and maximum-price construction contracts. This provision is the cause of the largest revenue reduction exposure in the Re-Engrossed bill version.

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
Gregory V. Albrecht
Chief Economist