

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 601** HLS 17RS 1061

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 9, 2017	11:41 AM	Author: STOKES
Dept./Agy.: LA Uniform Local Sales Tax Board		
Subject: Creates LA Uniform Local Sales Tax Board		Analyst: Zachary Rau

TAX/SALES-USE, LOCAL EN INCREASE OF EX See Note Page 1 of 2
Establishes the Louisiana Uniform Local Sales Tax Board and the Louisiana Sales and Use Tax Commission for Remote Sellers

Present law provides that a single transaction shall only be taxed once and provides for a refund process if taxes collected are remitted to the wrong taxing jurisdiction. Proposed law creates an optional process for local tax disputes through the Board of Tax Appeals. Present constitution authorizes taxation of sales and use by local governmental entities and requires political subdivisions to have a single collector for each parish, as well as authorizes the legislature to establish a method of providing for a single collector in each parish. Proposed law creates the LA Uniform Local Sales Tax Board ("board") and LA Sales and Use Tax Commission for Remote Sellers ("commission") and enumerates their powers and duties. Proposed law establishes the permanent and non-permanent members of the board and commission and provides for their terms and their domiciles. Proposed law provides for funding of the board not to exceed a percentage of local motor vehicle sales and use tax collections. Proposed law provides for funding of the commission not to exceed 1% of local and state sales tax collections from remote sellers. Proposed law states that the commission will not become active without federal legislation requiring collection of state and local sales and use tax from remote sellers. Proposed law authorizes transfers to the Board of Tax Appeals in the event collections through R.S. 47:302(K) are insufficient.

EXPENDITURES	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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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>
Annual Total						

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	\$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

Proposed law will increase expenditures of funds derived from local motor vehicle sales and use tax (MVSUT) revenues (See Revenue Explanation) by an indeterminable amount not to exceed an estimated \$908,820 in FY 18, \$1.13 M in FY 19, and \$1.36 M in FY 20 and subsequent fiscal years. Furthermore, the proposed legislation may increase SGF expenditures in the event federal legislation is enacted requiring the remittance of state and local sales taxes by remote sellers (See LA Sales and Use Tax Commission for Remote Sellers on Pg. 2). The proposed legislation creates the LA Uniform Local Sales Tax Board ("board") and LA Sales and Use Tax Commission for Remote Sellers ("commission").

LA Uniform Local Sales Tax Board

Provisions of the proposed legislation place a cap on expenditures equal to the amount of MVSUT dedicated to the board for its operations in each fiscal year that is set by the following graduated schedule: .2% in FY 18, .25% in FY 19, and .3% in FY 20. Based upon a three-year average of \$454.41 M in gross local MVSUT collections (FYs 14-16), the board would have a maximum total expenditures of \$908,820 in FY 18, \$1.13 M in FY 19, and \$1.36 M in FY 20 and subsequent FYs. In the event the board's anticipated expenditures are less than its allowed revenues, it may only draw as much funding as it expects to expend. The proposed legislation creates the board, the makeup of the board, and enumerates the board's powers, including allowing for the hiring of employees to unclassified positions and domiciling the board in E. Baton Rouge Parish. **(Expenditure Explanation cont. on Pg. 2)**

REVENUE EXPLANATION

Proposed law will decrease motor vehicle sales and use tax (MVSUT) receipts for local governmental entities by an indeterminable amount, as the proposed legislation dedicates .2% of local MVSUT collections in FY 18, .25% of collections in FY 19, and .3% of collections in FY 20 and in subsequent FYs to the new LA Uniform Local Sales Tax Board. The revenue decrease is indeterminable because total collections of MVSUT in a given year are uncertain, but based upon a three-year average local MVSUT collections (FYs 14-16) of approximately \$454.41 M, this would total \$908,820 (\$454.41 M * .2%) in FY 18, \$1.13 M (\$454.41 M * .25%) in FY 19, and \$1.36 M (\$454.41 M * .3%) in FY 20. Because the total amount of local MVSUT receipts varies from year to year, revenue loss by local governments would vary as well. However, the proposed legislation includes provisions to adjust the dedicated revenue based upon the board's actual expenditures and requirements for the upcoming fiscal year, which may decrease revenues lost by local governments.

Proposed law may decrease SGF sales tax receipts and local sales tax receipts associated with remote sales by an indeterminable amount as a result of dedicating up to a maximum of 1% of state and local sales and use taxes collected from remote sellers to the LA Sales and Use Tax Commission for Remote Sellers. The decrease will only occur to the extent federal law requiring remittance of sales tax by remote sellers is enacted and the state is collecting this revenue. The amount shall be retained on a monthly basis by the commission from collections before allocation to state and local tax collectors. Because sales and use taxes are reported in aggregate totals inclusive of revenues remitted by remote sellers, the exact revenue loss is indeterminable, but will not be more than 1% of gross state and local collections from remote sellers in a given year if the required federal law is enacted, and is also limited to the actual expenses incurred by the commission.

<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 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}

Gregory V. Albrecht
Chief Economist

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CONTINUED EXPLANATION from page one:

(Expenditure Explanation cont. from Pg. 1) The Legislative Fiscal Office assumes that expenses of the board will include personal services expenditures (salaries & related benefits), office space, equipment, supplies, per diem and mileage for board members to attend meetings, etc. The proposed legislation does not allow for board member salaries, but includes a provision for "reasonable expenses." The proposed legislation does not allow for board member salaries, but includes a provision for "reasonable expenses." In the event this is mileage and per diem, mileage would be reimbursed currently at \$0.53/mile and in-state per diem is approximately \$51 per day.

LA Sales and Use Tax Commission for Remote Sellers

The proposed legislation establishes a framework for the collection of local and state sales taxes from remote sellers by creating the commission, placing it in the LA Dept. of Revenue, and providing for the commission's membership and powers associated with collecting the aforementioned tax revenues. While the proposed law establishes the commission, it will not become active without federal law requiring the remittance of sales tax by remote sellers. As a result, associated expenditures and personnel for the commission will not be required until federal law requires the remittance of sales tax by remote sellers. Passage of federal law requiring the collection of sales and use tax from remote sellers cannot be predicted.

However, in the event such a law is enacted at the federal level, LDR anticipates hiring four employees with an associated annual cost of \$321,648. Furthermore, the department anticipates a one-time expenditure of \$684,000 to develop and test a specific tax return for remote sellers to remit sales taxes. These expenditures would be funded by the commission retaining up to 1% of local and state sales taxes from remote sellers and would be a portion of new revenues that the state would be collecting (See Revenue Explanation).

In addition, discussions with the LA Board of Tax Appeals indicate that any additional hearings resulting from the optional process in the proposed legislation will be absorbed within their existing appropriation, as they do not anticipate a significant workload increase.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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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}

Handwritten signature of Gregory V. Albrecht.

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