

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 15** HLS 182ES 17
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 22, 2018	8:16 PM	Author: HAVARD
Dept./Agy.: REVENUE		
Subject: Sales Tax: Retain 0.5% Levy, Standardize/Broaden Base		Analyst: Benjamin Vincent

TAX/SALES-USE, STATE OR +\$549,000,000 GF RV See Note Page 1 of 1
 Subjects all sales & use tax levies in FY19 and beyond to a broader, more uniform, and permanent tax base. Makes 0.5% of the temporary sales & use tax permanent.

Current law subjects certain transactions to sales and use tax via levies in R.S. 47:302 (2%), 47:321 (1%), 47:331 (0.97%), and 47:321.1 (1%). Each levy is subject to a particular list of exemptions and exclusions, some of which are temporarily suspended through FY18. R.S. 51:1286 levies an additional 0.03% on all transactions covered by R.S. 47:331, and allocates the proceeds to the LA Tourism Promotion District (TPD). The levy in R.S. 47:321.1 (1%) will expire on June 30, 2018. Certain business utilities are taxed at 1% until March 31, 2019, at which time they will become fully exempt.

Proposed law removes and/or sunsets certain exemptions and exclusions to the levies such that the taxable base for all levies will be identical in FY19 and beyond. Proposed law provides that the temporary levy of 1% in R.S. 47:321.1 becomes permanent at a rate of 0.5% on July 1, 2018. Proposed law provides that certain business utilities will be exempt from certain levies. Effective July 1, 2018.

EXPENDITURES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$549,000,000	\$585,000,000	\$585,000,000	\$585,000,000	\$585,000,000	\$2,889,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$20,000,000
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	\$553,000,000	\$589,000,000	\$589,000,000	\$589,000,000	\$589,000,000	\$2,909,000,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law generally eliminates exemptions and exclusions as defined in R.S. Title 47 and applies a uniform list of exemptions and exclusions to each levy. It makes the temporary levy in R.S. 47:321.1 permanent and reduces the rate to 0.5%, starting July 1, 2018. The total tax rate applying to all transactions in the uniform base will be 4.5%; 4.47% to the state General Fund, and 0.03% to the Louisiana Tourism Promotion District (TPD).

Purchases of utilities made by businesses defined as manufacturers with a NAICS code of 31-33 will be exempt from the levies in R.S. 47:302 (2%) and 47:321.1 (1%), but will be subject to a total rate of 2.0% (47:302). Purchases of utilities made by non-manufacturing businesses will be exempt from the levy in 47:321.1 (1%), and subject to a total rate of 4.0%.

Based on reported sales and tax receipts by sales tax remitters since April 2016, proposed law will increase total revenue by an estimated \$553 million in FY19 (\$549 million General Fund + \$4 million TPD), relative to current law in FY19.

Current law provides that certain business utilities will be taxed at 1% for 9 months of FY19. This provision will be replaced by proposed law, which diminishes the revenue gain in FY19 by approximately \$36 million, to the FY19 total in the table above. Business utilities will generate an estimated \$129 million in FY20 and all years following, resulting in a total revenue impact of \$589 million (\$585 million General Fund + \$4 million TPD) for those years.

Increased collections under the 0.03% levy applied by R.S. 51:1286 (LA Tourism Promotion District) account for the revenue increase to the Ded./Other revenues in the table above.

The most significant revenue-generating items in FY19 are listed below (totals may not match table above due to rounding):
 Applying 0.5% levy to the bill's tax base (excluding motor vehicles and business utilities): \$387 mil
 Business Utilities- 2.0% to industrial, 4.0% to other commercial utilities: \$93 mil
 Applying 0.5% levy to motor vehicle purchases: \$49 mil
 Removing exemptions from 4% of levies (approx 100 items, all less than \$5 mil each): \$24 mil

<p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}</p>	<p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>
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