

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 27** HLS 182ES 22
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ CONF COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 8, 2018 2:56 PM **Author:** HARRIS, L.
Dept./Agy.: REVENUE **Analyst:** Benjamin Vincent
Subject: Sales Tax: Retain 0.33% Levy, Standardize/Broaden Base

TAX/SALES-USE, STATE REC +\$393,000,000 GF RV See Note Page 1 of 1
 Subjects all sales & use tax levies in FY19 and beyond to a broader, more uniform tax base through FY 2023, and retains 0.33% of the temporary sales & use tax through FY 2025. (Item #22)

Present 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 three hundredths of one percent sales and use tax 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 for FY19-FY25. Proposed law retains the temporary levy of 1% in R.S. 47:321.1 at a rate of one-third of a percent (0.33%) through June 30, 2023. Proposed law additionally provides that certain business utilities and manufacturer vehicle rebates will be exempt from certain levies through FY25. Effective July 1, 2018.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$393,000,000	\$429,000,000	\$429,000,000	\$429,000,000	\$429,000,000	\$2,109,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$10,000,000
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	\$395,000,000	\$431,000,000	\$431,000,000	\$431,000,000	\$431,000,000	\$2,119,000,000

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 for FY19-FY25. It retains the temporary levy in R.S. 47:321.1 and reduces the rate to 0.33%, starting July 1, 2018. The total tax rate applying to transactions in the uniform base will be 4.33%; 4.3% to the state General Fund, and 0.03% to the Louisiana Tourism Promotion District (TPD). After FY25, the total rate will be 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 \$395 million in FY19 (\$393 million General Fund + \$2 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. Proposed law replaces this provision, which will diminish the revenue gain by approximately \$36 million in FY19 only. In FY20 and all years following, business utilities will generate an additional \$36 million, resulting in \$96 million total from business utilities, and a total revenue impact of \$431 million (\$429 million General Fund + \$2 million TPD). Purchases of utilities made by businesses will be exempt from all levies other than R.S. 47:302 (2%), and subject to a total rate of 2% for FY19-FY25. Manufacturer rebates on motor vehicle transactions will also be subject to a preferential tax rate of 2% over this period.

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 significant revenue-generating items in FY19 are listed below (totals may not match table above due to rounding):

- Applying 0.33% levy to the bill's tax base (excluding motor vehicles and business utilities): \$259 mil
- Business Utilities - 2%: \$60 mil
- Manufacturer motor vehicle rebates - 2%: \$8 mil
- Applying 0.33% levy to motor vehicle purchases: \$33 mil
- Removing exemptions from 4% of levies (approx. 100 items, all less than \$5 mil each): \$35 mil

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}

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