

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



Fiscal Note On: **HB 9** HLS 183ES 21  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|  |                                  |
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| <b>Date:</b> June 20, 2018 9:06 PM                               | <b>Author:</b> ABRAMSON          |
| <b>Dept./Agy.:</b> Revenue                                       | <b>Analyst:</b> Benjamin Vincent |
| <b>Subject:</b> Sales Tax: Retain Two 0.17% Levies, Uniform Base |                                  |

TAX/SALES-USE, STATE EG +\$360,000,000 GF RV See Note Page 1 of 1  
 Provides for the rate and base of state sales and use tax (Item #1)

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 provides that certain business utilities will be partially taxed through FY25.  
Proposed law retains the temporary levy in R.S. 47:321.1 at a rate of one-sixth of a percent (0.17%) through June 30, 2025, and creates an identical levy in R.S. 47:321.2. The levy in R.S. 47:321.1 is contingent on sales & use tax collections remaining below \$4.128 billion, and the levy in 47:321.2 is contingent on income tax collections remaining below \$3.637 billion. When the respective collections exceed their thresholds, the associated levy will be repealed. In the event that the respective collections do not exceed their thresholds in any year, both levies will continue until expiring in FY25. Effective July 1, 2018, contingent on the adoption of HCR 3 by both houses of the legislature.

| <b>EXPENDITURES</b> | <b>2018-19</b>       | <b>2019-20</b>       | <b>2020-21</b>       | <b>2021-22</b>       | <b>2022-23</b>       | <b>5 -YEAR TOTAL</b>   |
|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| State Gen. Fd.      | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| Agy. Self-Gen.      | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| Ded./Other          | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| Federal Funds       | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| Local Funds         | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| <b>Annual Total</b> | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>             |
| <b>REVENUES</b>     | <b>2018-19</b>       | <b>2019-20</b>       | <b>2020-21</b>       | <b>2021-22</b>       | <b>2022-23</b>       | <b>5 -YEAR TOTAL</b>   |
| State Gen. Fd.      | \$360,000,000        | \$253,000,000        | \$253,000,000        | \$110,000,000        | \$110,000,000        | <b>\$1,086,000,000</b> |
| Agy. Self-Gen.      | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| Ded./Other          | \$2,000,000          | \$1,000,000          | \$1,000,000          | \$0                  | \$0                  | <b>\$4,000,000</b>     |
| Federal Funds       | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| Local Funds         | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | <b>\$0</b>             |
| <b>Annual Total</b> | <b>\$362,000,000</b> | <b>\$254,000,000</b> | <b>\$254,000,000</b> | <b>\$110,000,000</b> | <b>\$110,000,000</b> | <b>\$1,090,000,000</b> |

**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 0.17%, starting July 1, 2018. It creates an identical levy in R.S. 47:321.2. 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.

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%. 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. In FY20 and all years following, business utilities will generate an additional \$36 million, resulting in \$96 million total from business utilities.

The most significant revenue-generating items in FY19 are listed below (totals may not match table above due to rounding):  
 Applying 0.17% levy to the bill's tax base in 321.1 (excluding motor vehicles and business utilities): \$128 mil  
 Applying 0.17% levy to the bill's tax base in 321.2 (excluding motor vehicles and business utilities): \$128 mil  
 Business Utilities- 2%: \$60 mil  
 Applying 0.17% levy to motor vehicle purchases in 321.1: \$17 mil  
 Applying 0.17% levy to motor vehicle purchases in 321.2: \$17 mil  
 Removing exemptions from 4% of levies (approx. 100 items, all less than \$5 mil each): \$14 mil

Proposed law provides triggers based on thresholds of total sales tax and income tax collection amounts that could initiate the repeal of each of the 0.17% levies. Exceeding the sales tax threshold (\$4.128B) will initiate repeal of the 321.1 levy, and exceeding the income tax threshold (\$3.637B) will initiate repeal of the 321.2 levy, effective the fiscal year following the publication of the Comprehensive Annual Financial Report of the state.

Adopted REC projections anticipate sales tax collections in FY18 exceeding their threshold, resulting in the expiration of the 321.1 levy in FY20. Income tax collections are projected to exceed their threshold in FY20, resulting in the expiration of the 321.2 levy in FY22. Net revenue impacts under these conditions are reflected in the table above.

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| <u>Senate</u>  | <u>Dual Referral Rules</u> | <u>House</u>   |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}                  |                            | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input checked="" 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} |

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