

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SB 85** SLS 19RS 357
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 3, 2019	12:25 PM	Author: BARROW
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Sales Tax Exemptions: Postsecondary Textbooks & Materials		

TAX EXEMPTIONS EG DECREASE GF RV See Note Page 1 of 1
 Exempts from sales and use tax textbooks required for a course offered by a public or nonpublic postsecondary educational institution. (7/1/19)
Proposed law fully exempts certain purchases of postsecondary textbooks or instructional materials from state and local sales and use taxes. Proposed law requires that the student provide proof to the dealer in physical or digital form at the time of purchase to confirm that they are a qualifying student, and requires the dealer to maintain proper documentation of tax-exempted transactions.

Effective July 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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

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

REVENUE EXPLANATION

Proposed law would exempt sales of textbooks and related course materials for enrolled students from the 4.45% state sales tax levy, and from local sales tax.

Recent enrollment data from the Board of Regents indicates approximately 190,000 eligible students in the state, and an average student cost for textbooks and materials is approximately \$1,200 annually.

These figures imply taxable sales of approximately \$228 mil, and a general fund revenue loss of approximately \$10 mil. LDR notes that proposed law does not exempt rentals of textbooks or materials from sales tax, nor does it provide a method to document qualifying sales from online retailers such as Amazon. Information on the proportion of course materials that are rented is unavailable.

Thus, the \$10 mil revenue loss value represents an upper bound, as some students will rent materials or purchase them online. To the extent that students rent course materials or purchase them online, the revenue impact of proposed law will be diminished.

As an example, in a scenario where 50% of eligible course materials are purchased from typical dealers and the remaining 50% of course materials are rented, the revenue impact of proposed law would be a general fund loss of \$5 million.

Local revenue losses would be similar to state losses.

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
 Chief Economist