

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SB 234** SLS 19RS 627
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|----------------------------------|
| Date: May 13, 2019 6:17 PM | Author: WARD |
| Dept./Agy.: Revenue | Analyst: Benjamin Vincent |
| Subject: Sales Tax Holidays: Annual, 2nd Amendment, Hurricane Prep | |

TAX/SALES EG -\$4,900,000 GF RV See Note Page 1 of 1
 Provides for effectiveness of the sales tax holidays. (gov sig)

Present law suspends certain state and local sales and use tax exemptions, subjecting purchases during the Annual Louisiana Sales Tax Holiday (R.S. 47:305.54), 2nd Amendment Sales Tax Holiday (R.S. 47:305.62), and the Hurricane Preparedness Sales Tax Holiday (R.S. 47:305.58) to the full 4.45% state-level rate through July 1, 2025, at which time these purchases will become fully exempt.

Proposed law provides that the exemptions under these sales tax holidays would be reinstated, and fully exempt from the total rate of 4.45% of state sales and use tax. Proposed law provides that the Annual Louisiana Sales Tax Holiday lasts two days. Proposed law provides that the Annual and Hurricane Preparedness holidays may extend to local sales and use tax. Effective upon governor's signature.

| 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. | (\$4,900,000) | (\$4,900,000) | (\$4,900,000) | (\$4,900,000) | (\$4,900,000) | (\$24,500,000) |
| 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 provides that the suspended sales tax holidays in R.S. 47:305.54, 305.58, and 305.62 would be reinstated, and that these purchases would be fully exempt from state sales and use tax. The 2nd Amendment holiday mandates that eligible purchases are exempt from local sales tax. Additionally, political subdivisions have the option to voluntarily apply exemptions from local sales tax during the Annual or Hurricane Preparedness holidays.

As sales tax data reported for sales tax holidays has fluctuated significantly in recent years, the estimate of the impact of proposed law is based on a multi-year average of recent sales tax holiday data.

Due to the resumption of the effectiveness of these sales tax holidays and the mandatory application of the 2nd Amendment Holiday to local sales tax, local funds will decrease. To the extent local governments opt-in to the Annual or Hurricane Preparedness holidays, additional local revenue losses will occur.

Estimated sales associated with these sales tax holidays totals approximately \$110 million per year, implying a state revenue loss of \$4.9 mil per year at a 4.45% tax rate. Approximately \$4.2 million of this loss is associated with the Annual Holiday, \$600,000 with the 2nd Amendment Holiday, and \$100,000 with the Hurricane Preparedness Holiday (totals differ from table above due to rounding). The state revenue loss is depicted as entirely state general fund in the table above, but small amounts of loss (roughly 1% of the total) will occur to the Tourism Promotion District allocation and economic development dedications, as well.

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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