

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 5** SLS 19RS 108
 Bill Text Version: **RE-REENGROSSED**
 Opp. Chamb. Action: **w/ HSE FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: REVENUE		Analyst: Benjamin Vincent
Subject: Sales Tax Holidays, Diapers & Feminine Hygiene Exemption		

TAX/SALES RRF -\$14,500,000 GF RV See Note Page 1 of 1
 Exempts diapers and feminine hygiene products from sales and use tax.

Current law treats diapers and feminine hygiene products as subject to the full state sales and use tax of 4.45% and suspends all sales and use tax holidays through July 1, 2025.

Proposed law exempts purchases of diapers and feminine hygiene products sold directly to the consumer for personal use from state sales and use tax, and authorizes local political subdivisions to apply the exemption to all or part of local sales and use tax applied to these transactions. This exemption is effective January 1, 2021.

Proposed law additionally reinstates the sales tax holidays in R.S. 47:305.54, 305.58, and 305.62, fully exempting these purchases from all state sales and use tax levies. Purchases made under the holiday provided in R.S. 47:305.62 will additionally be exempt from local sales and use taxes. The sales tax holiday exemptions are 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.	(\$4,900,000)	(\$9,700,000)	(\$14,500,000)	(\$14,500,000)	(\$14,500,000)	(\$58,100,000)
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 fully exempts diapers and feminine hygiene products from the state sales and use tax. It also authorizes political subdivisions to apply this exemption to all or part of sales and use tax levy imposed by the political subdivision.

LA Dept. of Revenue (LDR) does not collect data on consumer purchases of these products. FY21 sales for these products has been projected using a combination of population data, personal and household consumption data, public market research reports and summaries, and fiscal impact estimates of similar recent legislation in other states. A population of approximately 190,000 children of diaper-wearing age, an average price of \$0.30 per diaper, and an average of 7 diapers used per day per child implies \$143.9M in diaper sales for the year. This results in a tax loss of \$6.4M associated with an exemption from the 4.45% rate in the full year of FY22. A population of approximately 1 million women of appropriate age and an annual average of approximately \$71 in expenditures implies \$71M in feminine hygiene products sales for the year, resulting in a tax loss of \$3.2M due to the exemption from the 4.45% rate in the full year of FY22.

The exemptions are applied beginning January 1, 2021, resulting in an estimated half-year impact of approximately \$4.8M to the general fund for FY21. The combined full-year impact of this exemption, beginning in FY22, is an annual general fund loss of approximately \$9.6M. To the extent that political subdivisions currently levy the tax, and subsequently apply the exemptions, local revenues will also decrease in all years.

Additionally, proposed law reinstates the three sales tax holidays that were suspended until FY26 in HB10 of the Third Extraordinary Session of 2018. This provision is immediately fully effective, and results in an anticipated reduction of \$4.9 mil in general fund revenues, and a reduction of unknown magnitude to local funds due to the Second Amendment Sales Tax Holiday.

The combined effect of the timing of these exemptions and reinstatement of tax holidays is a general fund impact of approximately \$4.9 mil in FY20, \$9.7 mil in FY21, and \$14.5 mil in all years following.

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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