

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



Fiscal Note On: **HB 560** HLS 19RS 857

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 5, 2019	11:40 AM	<b>Author:</b> ABRAMSON
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Excise Tax on Industrial Hemp and CBD Products		

TAX/EXCISE EN +\$610,000 GF EX See Note  
Authorizes the imposition of tax on industrial hemp and CBD

Proposed law provides definitions and conditions regarding industrial hemp and cannabidiol (CBD) products and the legal retail sale of these products, and provides that these products do not include marijuana as defined in R.S. 47:2602. Proposed law levies an excise tax of 3% on the retail sale of these products, in addition to the state and local sales and use tax levied, which shall be administered by the secretary of the Department of Revenue, who is given rulemaking authority for the purposes of administering this tax. Proposed law dedicates the avails of the excise tax to the Early Childhood Education Fund.

Effective January 1, 2020, contingent upon enactment of HB 138 of the 2019 Regular Session.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$610,000	\$130,000	\$130,000	\$130,000	\$130,000	<b>\$1,130,000</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>\$610,000</b>	<b>\$130,000</b>	<b>\$130,000</b>	<b>\$130,000</b>	<b>\$130,000</b>	<b>\$1,130,000</b>

  

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

LDR notes that administration of the new excise tax directed by proposed law will likely require a system of electronic filing and remittance, which will incur a one-time cost of approximately \$485,000 for initial system setup. LDR notes that due to internet sales of these products and the many forms that these products may take at retail, effective enforcement may be difficult. Depending on the degree of compliance, adequate enforcement may eventually require additional personnel; one Revenue Tax Specialist and one Revenue Tax Analyst to administer and enforce this new tax. These costs are displayed in the table above, but would depend on enactment of HB 138, and would be subject to appropriation.

**REVENUE EXPLANATION**

Proposed law imposes a state excise tax of 3% on retail sale of hemp products and CBD products. The avails of the excise tax would be dedicated to the Early Childhood Education Fund. To the extent tax collections occur, dedicated fund revenue would be increased.

Data that can provide a reliable estimate of the expected sale price or sale volume of any category of these products, and consequently associated tax receipts, is unavailable. Estimates of the revenue impact of these sales is speculative. LDR notes that due to internet sales of these products and the many forms that these products may take at retail, effective enforcement may be difficult.

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*  
**Gregory V. Albrecht**  
**Chief Economist**