

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 328** HLS 20RS 196
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 17, 2020 1:46 PM	Author: FREEMAN
Dept./Agy.: Local Governments	Analyst: Benjamin Vincent
Subject: Sales Tax Exemption: Diapers & Feminine Hygiene Products	

TAX/SALES-USE, LOCAL-EXEM RE SEE FISC NOTE LF RV See Note Page 1 of 1
 Authorizes an exemption from local sales taxes for feminine hygiene products and diapers

Proposed law authorizes political subdivisions to exempt feminine hygiene products, child diapers, and adult diapers from all or part of the sales and use tax levied by the political subdivision through December 31, 2021.

Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	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	SEE BELOW	SEE BELOW	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total			\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law authorizes political subdivisions to exempt diapers and feminine hygiene products from all or part of any local sales and use tax levy. The authorization to apply the local exemption applies only through December 31, 2021.

LA Dept. of Revenue (LDR) does not collect data on consumer purchases of these products. For informational purposes, sales of these products in Louisiana 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. These projections amount to approximately \$144M in taxable diaper sales for children, \$34M in such sales for adults, and \$71M in feminine hygiene products annually; totaling \$249M annually. To the extent that political subdivisions elect to enact full or partial exemptions to sales and use taxes for these products, reductions in tax revenues to those political subdivisions will result.

Assuming an average local sales and use tax rate of 5%, under a scenario where all political subdivisions statewide elected to fully exempt these purchases, an aggregate annual local funds revenue reduction of approximately \$12.5 million would result. This figure represents an upper bound of the potential impact of the exemption allowed by proposed law, summed across all local jurisdictions, for a full fiscal year. Proposed law only authorizes the local exemption for the first six months of the fiscal year ending in 2022, and would have no impact in FY23 and beyond.

The actual impacts of proposed law will vary by jurisdiction, depending on which political subdivisions eventually elect to enact the exemption, whether each exemption enacted is full or partial, and the timing of the exemption becoming effective.

The bill contemplates local sales tax exemptions being granted for these products, although the precise impact to local revenues is indeterminable. To the extent political subdivisions enact exemptions, proposed law can only result in reduced local revenues.

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