

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 11** HLS 202ES 127
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: October 5, 2020 8:07 AM	Author: SCHEXNAYDER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Procurement Processing Company Rebate Program	

TAX/TAX REBATES OR SEE FISC NOTE SD RV Page 1 of 1
 Suspends the Procurement Processing Company Rebate Program (Item #65)

The Procurement Processing Company Rebate Program was created in 2012. Procurement processing companies route sales between different states through Louisiana where they are subject to Louisiana state sales tax. The companies remit sales tax to the state, and a portion of those remittances are rebated back to the processing company, while a portion is retained by the state. The portion that is retained by the state is determined and set in a contract entered into by the Secretary of the Department of Economic Development.

Proposed law suspends the program from the date of adoption of this resolution and through the 60th day after final adjournment of the 2021 Regular Session.

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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

The LA Dept of Revenue (LDR) is permitted to retain a portion of the proceeds of tax revenues generated by these firms prior to remitting the rebate in order to offset expenses incurred in certifying the rebates. Presumably, these self-generated funds would be suspended along with the rebates issued.

REVENUE EXPLANATION

Presumably, the sales and taxes involved are associated with transactions that are not occurring in the state and subject to the state's sales tax in the absence of this program. To the extent that is the case, the program generates sales tax in Louisiana that would not otherwise occur. The state rebates an unknown portion of those receipts to the processing company and retains a portion as a net gain to the state.

Suspension of the program presumably suspends the rebate payments to the processing companies, but may also impact the gross remittances to the state and the net amount retained by the state, in the event that the suspension renders the processing companies ineffective. The result in this event is a net loss of sales tax revenue to the state, for the period of the suspension.

LDR notes that there appears to be no provision under which a rebate may be disallowed due to late filing. In the event that the companies are still able to process transactions that are subject to Louisiana sales tax, they may be able to simply certify the rebates following the end of the proposed program suspension, resulting in no net revenue impact.

Thus, any revenue impact to dedicated funds, self-generated revenues, or the general fund is speculative. More information regarding the nature of the transactions executed by the processing companies, and the associated rebate structure, is needed.

For informational purposes, rebate payments to the companies have totaled approximately \$56.8 million (FY16 - FY20); \$19 million in FY19 and \$23.3 million in FY20. LDR anticipates \$28.7 million in rebate payments for FY21.

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}

Christopher A. Keaton
Legislative Fiscal Officer