



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 693** HLS 21RS 738
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 11, 2021 4:41 PM **Author:** DAVIS
Dept./Agy.: Revenue/ DOTD **Analyst:** Benjamin Vincent
Subject: TTF Dedication of General Fund; Temporary 0.4% Sales Tax

TAX/SALES-USE, STATE EG -\$37,800,000 GF RV See Note Page 1 of 1
 Dedicates a portion of the avails of state sales and use tax to the Construction Subfund of the Transportation Trust Fund and extends .4% of current state sales and use tax
Present law subjects eligible purchases to a combined state sales and use tax rate of 4.45% through June 30, 2025, at which time these purchases will be subject to a maximum combined rate of 4%. The levy in R.S. 47:321.1 subjects purchases to a tax of 0.45%. Virtually all of the avails of the state sales and use tax accrues to the state general fund.

Proposed law phases in a dedication of the 0.45% levy to the Construction Subfund of the Transportation Trust Fund (TTF). Proposed law allows the temporary 0.45% levy in R.S. 47:321.1 to expire, and creates a 0.4% levy in R.S. 47:331.1. Proposed law phases in the dedication of the new levy until its expiration on June 30, 2031. Proposed law provides restrictions on allowable uses of the dedicated monies.

Proposed law is effective July 1, 2021, except for the provision of the 0.4% levy, which is effective July 1, 2025.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$26,000	\$0	\$0	\$231,000	\$0	\$257,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$26,000	\$0	\$0	\$231,000	\$0	\$257,000

REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	(\$37,800,000)	(\$75,600,000)	(\$113,400,000)	(\$151,200,000)	\$168,200,000	(\$209,800,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$37,800,000	\$75,600,000	\$113,400,000	\$151,200,000	\$168,000,000	\$546,000,000
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	\$336,200,000	\$336,200,000

EXPENDITURE EXPLANATION

LDR reports that modifying the current set of suspended exemptions will require minor expenditures for tax return form redesign, and for computer system modification, development, and testing are anticipated due to proposed law in FY22, and additional programming costs in FY25 for modifying the state general sales, hotel/motel, consumer use, direct marketer, and remote sellers returns.

REVENUE EXPLANATION

Proposed law provides that an increasing portion of the 0.45% levy in R.S. 47:321.1 will be dedicated to the TTF Construction Subfund beginning in FY22, and upon termination of the levy as provided in present law, proposed law creates a new levy and dedicates an increasing portion of it until its expiration at the end of FY31.

At the time of this analysis, the most current and comprehensive data available for estimating the revenue strictly attributed to this levy is Revenue Estimating Conference (REC) actual collections data for FY19 and FY20, Tax Exemption Budget data for FY19, and REC projections for FY22-25.

The estimated annual value of the 0.45% levy is approximately \$378 million. Of this amount, approximately \$330 million is general sales tax, and approximately \$48 million is motor vehicle sales tax. (Note that these estimates will be sensitive to any updated REC sales tax projections.)

The portion of the 0.45% levy that is dedicated begins at 10% in FY22, increases to 20% in FY23, to 30% in FY24, and to 40% in FY25. During these years, general fund revenues would decrease, and dedicated funds would increase due to proposed law. Under current law the levy expires at the end of FY25, at which time the associated dedication will terminate.

Proposed law enacts a new 0.4% levy in FY26, and dedicates an increasing amount of it to the Construction Subfund of the TTF. The estimated annual value of the new 0.4% levy is \$336 million total. Proposed law dedicates a 50% portion of the new levy's avails in FY26, resulting in a general fund increase of approximately \$168.2 million, and an increase in dedicated funds of \$168.2 million.

Of the new 0.4% levy, proposed law dedicates 60% in FY27, 70% in FY28, and so on until 100% is dedicated in FY31, at which time the levy expires and the associated dedication will terminate.

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