

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



Fiscal Note On: **HB 639** HLS 21RS 898

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 31, 2021	3:45 PM	<b>Author:</b> ZERINGUE
<b>Dept./Agy.:</b> LDR/Treasury		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> State Sales Tax Dedication		

FUNDS/FUNDING RE -\$400,000,000 GF RV See Note Page 1 of 1  
Dedicates Certain State Sales Taxes for Purposes of Repaying USACE; Provides relative to infrastructure funding

Proposed law creates the Hurricane and Storm Damage Risk Reduction System Repayment Fund, and for FY22 and FY23 dedicates the first \$400 million in certain state taxes on retail sales, use, consumption, distribution, storage, lease, and rental of tangible personal property remitted by taxpayers in certain parishes to the fund (St. Charles, Jefferson, Plaquemines, St. Bernard, Orleans). Taxable sales of services are not dedicated. Proposed law specifies that resources in the fund may be used to make payments to the U.S. Army Corps of Engineers, or to make debt service payments in the event the state issues bonds to fund the payments for the Hurricane and Storm Damage Risk Reduction System.

Proposed law additionally creates the Matching Assistance and Grants for Infrastructure and Construction (MAGIC) Fund and the MAGIC Program to administer the fund. Proposed law specifies the purposes for which the MAGIC program may provide funding, which generally consists of various types of infrastructure support by the state.

Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$440,000	\$26,000	\$0	\$0	\$0	<b>\$466,000</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>\$440,000</b>	<b>\$26,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$466,000</b>

<b>REVENUES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$400,000,000)	(\$400,000,000)	\$0	\$0	\$0	<b>(\$800,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$400,000,000	\$400,000,000	\$0	\$0	\$0	<b>\$800,000,000</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>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

LDR anticipates incurring information technology staff time costs for development of a new tax return and web filing system modifications to identify and redirect the appropriate remittances (from tangibles but not services) from the affected parishes away from the general fund and into the new dedicated fund. Additionally, expenditures associated with taxpayer mail-outs and education efforts regarding these filing changes are anticipated, resulting in a total estimated expenditure of \$440,000 for FY22.

A minor expenditure to program redirection of revenues back to the state general fund for FY24 is also anticipated. This is reflected in the table above as an FY23 expenditure of \$26,000.

No material expenditure impact is anticipated due to provisions related to the MAGIC fund, as proposed law provides no source of revenue and mandates no related activities.

**REVENUE EXPLANATION**

Proposed law dedicates up to \$400 million annually for FY22 and FY23 from sales and use tax remittances reported for certain parishes. LDR reports that eligible taxable sales reported and remitted from within these parishes typically total in excess of \$400 million, implying that the maximum dedication will likely be attained in both years.

As these tax collections would otherwise accrue to the state general fund, the revenue impact of proposed law would be a \$400 million reduction of state general fund revenue, and a matching increase in dedicated revenues, for each year.

Senate  
 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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