



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 7** HLS 21RS 114  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action: **w/ SEN COMM AMD**  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 4, 2021	4:18 PM	<b>Author:</b> FREEMAN
<b>Dept./Agy.:</b> REVENUE		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Exemption: Diapers and Feminine Hygiene Products		

TAX/SALES-USE-EXEMPT RE1 -\$11,100,000 GF RV See Note Page 1 of 1  
 Provides for a state sales and use tax exemption for feminine hygiene products and diapers

Current law treats diapers and feminine hygiene products as subject to the full state sales and use tax of 4.45% through June 30, 2025, at which time these purchases would be subject to a combined state tax rate of 4%. Current law additionally authorizes local political subdivisions to exempt such purchases from local sales and use taxes through December 31, 2021.

Proposed law fully exempts these purchases from state sales and use tax. Proposed law additionally makes permanent the authorization for local subdivisions to exempt these purchases from local sales and use taxes.

Effective August 1, 2021. State exemptions in proposed law will be effective July 1, 2022.

<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.	INCREASE	\$0	\$0	\$0	\$0	<b>\$0</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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</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.	\$0	(\$11,100,000)	(\$11,100,000)	(\$11,100,000)	(\$10,000,000)	<b>(\$43,300,000)</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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
<b>Annual Total</b>						

**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.

**REVENUE EXPLANATION**

Proposed law fully exempts diapers and feminine hygiene products from the state sales and use tax, beginning in FY23. It also permanently authorizes political subdivisions to apply this exemption to all or part of the local sales and use tax levy imposed by the political subdivision.

As this exemption currently does not exist at the state level, authoritative data on total consumer purchases of these products in Louisiana is not available. FY22 sales for these products 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.

At a state sales tax rate of 4.45%, an annual estimated state revenue impact of \$11.1M is anticipated due to proposed law. Current law provides that the FY26 state sales tax rate will adjust to 4%, reducing the impact of the exemption for that year and all subsequent years to approximately \$10.0M.

The state revenue loss is depicted as entirely state general fund in the table above, but small amounts of loss (roughly 1% of the total) will occur to the Tourism Promotion District allocation and economic development dedications, as well.

Current law authorizes political subdivisions to exempt these purchases from local sales taxes for the first six months of FY22 only. Proposed law authorizes such local exemptions to continue permanently. To the extent that political subdivisions continue or enact full or partial exemptions, reductions in sales tax revenues to those political subdivisions, relative to current law, will result beginning in FY22. The actual impacts of proposed law will vary by jurisdiction, depending on which subdivisions enact or continue the exemption, whether the exemption is full or partial, the timing of the exemption's effectiveness, and the existing local tax rates.

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}

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