



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 7** HLS 21RS 114
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 15, 2021 10:14 AM	Author: FREEMAN
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Exemption: Diapers and Feminine Hygiene Products	

TAX/SALES-USE-EXEMPT EN -\$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 repeals the authorization for local subdivisions to exempt these purchases from local sales and use taxes, and replaces the authorization with a mandatory, permanent full exemption.

Effective upon governor's signature. State and local exemptions in proposed law will be effective July 1, 2022.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$11,100,000)	(\$11,100,000)	(\$11,100,000)	(\$10,000,000)	(\$43,300,000)
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>	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Annual Total	\$0					\$0

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 state and local sales and use tax, beginning in FY23.

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 repeals the authorization for the local exemption, and mandates the local exemption permanently, beginning in FY23. To the extent that these purchases are currently taxed by political subdivisions, reductions in sales tax revenues will result in FY23 and in all subsequent years. The actual impacts of proposed law will vary by jurisdiction, depending on 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}

Gregory V. Albrecht
 Chief Economist