

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 429** HLS 22RS 53

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 15, 2022 2:12 PM	Author: HILFERTY
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: State sales tax rebate for non-profit residential housing costs	

TAX/SALES & USE OR -\$1,000,000 GF RV See Note Page 1 of 1
Establishes a state sales and use tax rebate for the purchase of construction materials by certain charitable organizations

Current law provides an exemption from sales tax on construction materials for residential housing for certain non-profits including Habitat for Humanity, Fuller Center for Housing and the Make-It-Right Foundation. Similar exemptions in law that are currently suspended apply to Hands On New Orleans, Rebuilding Together New Orleans Covenant Partners and St. Bernard Projects, Inc. which will be in effect on July 1, 2025.

Proposed bill provides a state sales and use tax rebate for non-profit charitable organizations on the purchase of construction and building materials for constructing, rehabilitating or renovating a residential dwelling. The state cost of the program is limited to \$1M per year but there is no cap on the number of applications, which are honored on a first-come, first-serve basis. Any unfunded rebate applications automatically roll into the next fiscal year. LDR may promulgate rules to implement the rebate program. The rebate is offered on all eligible purchases made on or after July 1, 2022.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$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	\$0

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$5,000,000)
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	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$5,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Though though implementation of this bill can be absorbed in the agency budget, an assessment will be made by the Department for the cumulative effect of all new legislation to determine if additional resources are needed at that time.

REVENUE EXPLANATION

The bill will reduce state general fund by the amount of state sales and use tax rebate applications, potentially by a significant amount. The bill does not define a charitable non-profit, does not limit the number of rebate applications that may be accepted, nor does it restrict the residential building to low income or any other constraining factor. Thus, any residential dwelling built through a charitable non-profit could be potentially be eligible for a 100% rebate of sales and use tax on construction materials, regardless of whether the structure is located in Louisiana.

Though the bill provides an annual state cost cap of \$1M, there is no closing date and no way to determine how many or how large the rebate applications will be. Even if the program is only open for one year (the bill contains no sunset), the pipeline of rebate obligations could extend well beyond one year and require a significant amount of state general fund over time.

The bill appears to effectively lift the exemption suspension for Hands On New Orleans, Rebuilding Together New Orleans Covenant Partners and St. Bernard Projects, Inc., but places them under the \$1M cost cap until the individual exemptions go back into effect on July 1, 2025.

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}

Alan M. Boxberger

Alan M. Boxberger
Interim Legislative Fiscal Officer