

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 438** HLS 22RS 468

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: April 14, 2022	1:39 PM	Author: BACALA
Dept./Agy.: Revenue		Analyst: Emily DiPalma
Subject: State Sales and Use Tax		

TAX/SALES-USE, STATE OR -\$95,200,000 GF RV See Note
Reduces the rate of the state sales and use tax

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Current law provides that R.S. 47:321.1 levies a state sales tax of 0.45% through June 30, 2025, at which time the levy will expire. The avails of this levy accrue to the general fund.

Proposed law reduces the tax rate of R.S. 47:321.1 by 0.1% from 0.45% to 0.35%, beginning in FY23. The expiration date of June 30, 2025 remains the same.

Effective July 1, 2022.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	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>	<u>\$0</u>
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	(\$95,200,000)	(\$92,800,000)	(\$90,200,000)	\$0	\$0	(\$278,200,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	(\$3,600,000)	(\$7,300,000)	\$0	\$0	(\$10,900,000)
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>	<u>\$0</u>
Annual Total	(\$95,200,000)	(\$96,400,000)	(\$97,500,000)	\$0	\$0	(\$289,100,000)

EXPENDITURE EXPLANATION

The Department of Revenue reports that the agency would incur operating expenses of \$77,040 in FY23 associated with programming, testing and system development costs to revise the tax rate on the general sales tax return and hotel/motel return, along with changes to software and the web filing application.

REVENUE EXPLANATION

By lowering the rate of the temporary sales tax by 0.1%, the proposed bill will reduce total revenue by \$95.2M in FY23, \$96.4M in FY24 and \$97.5M in FY25, assuming the long range 1/11/22 REC forecast for general and vehicle sales tax materializes. Business utilities are not subject to the temporary sales tax and are removed from the base using the estimates in the Tax Exemption Budget growing by 2% in the outyears. Because vehicle sales tax is dedicated to the TTF-Construction Subfund beginning in FY 24, the funds deposited to the statutory dedication will be reduced by \$3.6M in FY24 and 7.3M in FY25. The remaining impact is to the state general fund which will be lower by \$95.2M in FY23, \$92.8M in FY24 and \$92.2M in FY 25. If the revenue forecast for sales tax changes materially, the impact from this bill will also change.

It is not clear whether vendor implementation of this rate change can become effective by July 1, 2022, given the short timeframe if the bill is enacted. The fiscal note assumes a full year impact in FY 23, though it may be somewhat less as implementation could take a few months to ramp up.

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}

Deborah Vivien
Chief Economist