

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 161** HLS 23RS 620

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2023	10:51 AM	Author: KERNER
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Mandatory local sales tax exemption for seafood industry		

TAX/SALES-USE, LOCAL-EXEM EG DECREASE LF RV See Note Page 1 of 1
Changes local sales and use tax exemptions for commercial fishermen and certain seafood processing facilities from optional to mandatory

Current law allows for a mandatory state sales tax exemption for registered commercial fishermen and certain seafood processing facilities on products and services including vessel purchases (used primarily for commercial fishing as determined by LDR), vessel repairs, materials and supplies for the vessel for use in fishing or processing, and fuel for the vessel. A temporary suspension of the exemption for seafood processing facilities is in place until 6/30/25, subjecting these items to a 4.45% state sales tax. The exemption certificate is approved by LDR. A local sales tax exemption is optional.

Proposed law makes the local sales tax exemption for commercial fishermen and certain seafood processing facilities mandatory.

Effective upon governor's signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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	2023-24	2024-25	2025-26	2026-27	2027-28	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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on state governmental expenditures as a result of this measure. Since the current program is certified through the state, the resource burden on local governments to administer the credit will be determined locally. The administrative responsibilities to locals appears minimal if the state certification is the accepted criteria, though this is not mandated in the bill. However, with the state suspension of the exemption on local seafood processors, the state's taxation will be different than the local taxation for that industry in FY 24 and FY 25.

REVENUE EXPLANATION

The bill will reduce local revenue for any jurisdiction that contains a seafood fishing and/or processing community and does not currently exempt commercial fishermen or certain seafood processing facilities. The magnitude of the decrease will depend on the sales activity and rate within that taxing area, including whether the activities are currently exempt under the optional provision in law. This bill repeals the local sales tax exemption option and makes the exemption mandatory.

While it is not possible to determine how this bill will impact each taxing jurisdiction, the statewide impact of the state sales tax (4.45%) exemption on the commercial fisherman exemption is forecast at roughly \$870,000-\$890,000 annually, according to the 2022 Tax Exemption Budget. Local rates are roughly the same as state rates but distribution of the transactions throughout the parishes is unknown. Any estimated impact from the seafood processor exemption would be in addition to the statewide figure.

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}

Alan M. Boxberger
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Interim Legislative Fiscal Officer