



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 642** HLS 23RS 1295  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 30, 2023	2:41 PM	<b>Author:</b> JENKINS
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Taxing digital products as TPP and taxing digital services		

TAX/SALES & USE OR INCREASE GF RV See Note Page 1 of 1  
 Provides relative to sales and use taxation of certain digital products and services

Current law levies a sales tax on specific digital goods such as prewritten software and digital files that are downloaded.

Proposed law defines and taxes specific digital products (transferred or delivered electronically) as tangible personal products subjecting them to state and local sales tax, including sounds, images, software, use or subscription charges and digital codes (defined in the bill), among others. Proposed law also expands state and local taxable services to include digital automated services as services transferred electronically using software applications either prewritten or custom along with similar stand-alone products. Proposed law provides numerous definitions and qualifications of digital products and services as well as apportionment for multiple points of use, taxation of bundling transactions and sourcing rules, etc. Proposed law allows for an amnesty on taxation of digital goods prior to effective date of the bill with LDR rule-making authority. Effective July 1, 2023.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW	\$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>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Department of Revenue (LDR) estimates programming, testing, and system/website development cost at about \$92,040. Two temporary revenue tax research analyst positions will be needed (\$161,174 annual salary and related benefits) to help update forms and exemption certificate processing. These costs are listed in FY 24 in the table above but would require expending in FY 23 to prepare for a 7/1/23, effective date. LDR and Remote Sellers Commission (RSC) indicate that these expenses will be absorbed in the current budget, though additional resources may be required should the aggregate impact of enacted legislation during the session exceed existing capacity.

**REVENUE EXPLANATION**

The bill subjects digital products and services to state and local sales and use taxes that are not currently subject to taxation. To the extent these products are identified and additional sales tax is remitted, state general fund revenue, statutory dedications (Louisiana Economic Development Fund and Tourism Promotion District) and local revenue will increase.

According to LDR, the bill contains numerous definitions and other qualifiers regarding the taxation of digital products and services, some of which are:

**TAXABLE**

- Sounds, images, data, facts or information
- Computer Software
- Customer charges for certain prewritten software
- Digital Codes (permits purchaser to obtain digital product)
- Bundled digital products
- Digital automated services (DAS) (includes software+)
- First use within this state by taxpayer/consumer
- Access of 3rd party digital products (streaming)

**NOT TAXABLE**

- Patents, stocks, bonds, goodwill, trademarks, franchises, copyrights
- Telecommunications services and ancillary services
- Internet access service charges
- Professional services in electronic form
- Digital Codes storing monetary value deducted from a total
- Gift cards or similar cards entitling holder to select digital products
- Digital products that become a component of a new product
- Free digital products
- Audio or video programming by a radio or television broadcaster
- Digital products sold at Jazz Fest
- Newspaper/magazine subscriptions, if not taxed when physically delivered

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**