Louisiana Legislative	LEGISLAT	IVE FISCAL OFFICE Fiscal Note					
Legislative Fiscal Office		Fiscal Note On:	SB	8	SLS	23RS	90
Fiscal Office Fiscal Notes	Bill Text Version: ENROLLED						
Opp. Chamb. Action:							
ALL CALLER CALLER		Proposed Amd.:					
		Sub. Bill For.:					
Date: June 6, 2023	8:29 AM	Author: LUNEAU					

Dept./Agy.: Revenue/Local

Subject: Fixes local sales tax interest at the judicial rate

TAX/LOCAL

EN SEE FISC NOTE LF RV See Note

Provides relative to interest applicable to local sales and use taxes paid under protest. (8/1/23)

<u>Current law</u> mandates local taxing authorities to pay statutory interest up to 1% per month on local sales tax paid under protest when the taxpayer prevails. <u>Current law</u> authorizes local taxing authorities to charge statutory interest up to 1% per month on local sales tax paid under protest when the collector prevails, including compounding the accrued interest as a tax liability. <u>Current law</u> allows interest that accrues from payments under protest deposited to interest-bearing accounts to be sent to the prevailing party by agreement as the interest due.

<u>Proposed law</u> equalizes the interest treatment on local sales tax paid under protest by awarding the prevailing party, whether collector or taxpayer, the published judicial rate (currently 6.5% annually but can exceed the statutory 1% per month). <u>Proposed law</u> removes the authorization to accrue interest as a tax liability if the collector prevails. <u>Proposed law</u> retains the allowance of earnings from interest-bearing escrow accounts to satisfy the interest requirements for the prevailing party by agreement. Effective August 1, 2023

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	SEE BELOW					
Annual Total						
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	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

A local taxing authority may be required to pay interest at a different rate for final local sales tax judgments with associated payments under protest, depending on the current local interest rate (up to 12% annually) compared to the judicial rate (currently 6.5% published each January), which is mandated by the bill.

The net impact to the taxing authorities will depend on relative rates and the magnitude of the local sales tax disputes that are finalized and require an interest payment by the authority. For example, if a taxing authority is currently paying a rate higher than 6.5% annually, after August 1, 2023, it will pay less interest on the same finalized disputes. Alternatively, if a taxing authority is currently paying a rate lower than 6.5% annually, after August 1, 2023, it will pay less interest 1, 2023, it will pay more interest on the same finalized disputes.

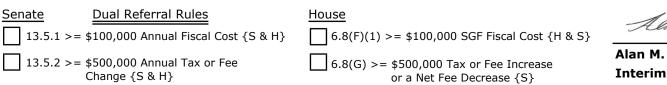
Minor changes to computer systems and administrative practices to accommodate the new rate are not expected to add a significant burden, though the actual impact would be specific to the taxing authority.

REVENUE EXPLANATION

Compared to current receipts, a local taxing authority may receive more or less interest on finalized local sales tax disputes in which it prevails and that have associated payments under protest. The bill mandates that interest on sales tax paid under protest be charged at the judicial rate instead of up to the statutory rate, as under current law. The bill also removes the authorization for interest to compound as a tax liability if the collector prevails.

Actual impacts will depend on the current local interest rate on local sales tax paid under protest, which is authorized up to 12% annually, compared to the judicial annual rate (currently 6.5% published each January) and the magnitude of the disputes. For example, if a taxing authority is currently charging a rate higher than 6.5% annually, after August 1, 2023, it will receive less interest on the same finalized disputes in which it prevails. Alternatively, if a taxing authority is currently charging a rate lower than 6.5% annually, after August 1, 2023 it will receive more interest on the same finalized disputes. The local taxing authority will also lose any benefits of the additional payments due to interest accruing as a tax liability to the extent it was receiving these payments under current law.

With an effective date of August 1, 2023, the FY 24 impact may be slightly less than the subsequent years when in effect for a full twelve-month period.



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