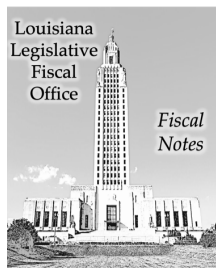


**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**



Fiscal Note On: **HB 37** HLS 24RS 109  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|  |                             |
|--|-----------------------------|
| <b>Date:</b> February 5, 2024 3:16 PM                                    | <b>Author:</b> MCCORMICK    |
| <b>Dept./Agy.:</b> Local Sales Tax Collectors                            | <b>Analyst:</b> Noah O'Dell |
| <b>Subject:</b> Mandates Local Exemption for Certain Foods and Beverages |                             |

TAX/SALES-USE, LOCAL-EXEM OR -\$560,000,000 LF RV See Note Page 1 of 1  
 Exempts certain foods and beverages from local sales and use taxes

Current law authorizes a local sales and use tax exemption on food sold for preparation and consumption in the home, dairy products, soft drinks, fresh fruits and vegetables, and package foods requiring further preparation by the purchaser. Current law also provides for a state sales and use tax exemption for bakery products sold for consumption in the home when sold at grocery stores, bakeries, and donut shops regardless of whether furnished facilities are provided, although this exemption is suspended until June 30, 2025.

Proposed law mandates a local sales and use tax exemption for food sold for preparation and consumption in the home, dairy products, soft drinks, fresh fruits and vegetables, and package foods requiring further preparation by the purchaser. Proposed law also mandates a local sales and use tax exemption for bakery products sold for consumption in the home when sold at grocery stores, bakeries, and donut shops regardless of whether furnished facilities are provided. Effective on August 1, 2024.

| EXPENDITURES        | 2024-25                | 2025-26                | 2026-27                | 2027-28                | 2028-29                | 5 -YEAR TOTAL            |
|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--------------------------|
| State Gen. Fd.      | \$0                    | \$0                    | \$0                    | \$0                    | \$0                    | <b>\$0</b>               |
| Agy. Self-Gen.      | \$0                    | \$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         | <b>SEE BELOW</b>       | <b>SEE BELOW</b>       | <b>SEE BELOW</b>       | <b>SEE BELOW</b>       | <b>SEE BELOW</b>       |                          |
| <b>Annual Total</b> |                        |                        |                        |                        |                        |                          |
| REVENUES            | 2024-25                | 2025-26                | 2026-27                | 2027-28                | 2028-29                | 5 -YEAR TOTAL            |
| State Gen. Fd.      | \$0                    | \$0                    | \$0                    | \$0                    | \$0                    | <b>\$0</b>               |
| Agy. Self-Gen.      | \$0                    | \$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         | <b>(\$560,000,000)</b> | <b>(\$622,000,000)</b> | <b>(\$635,000,000)</b> | <b>(\$647,000,000)</b> | <b>(\$673,000,000)</b> | <b>(\$3,137,000,000)</b> |
| <b>Annual Total</b> | <b>(\$560,000,000)</b> | <b>(\$622,000,000)</b> | <b>(\$635,000,000)</b> | <b>(\$647,000,000)</b> | <b>(\$673,000,000)</b> | <b>(\$3,137,000,000)</b> |

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Any costs associated with system adjustments for local collectors are expected to be relatively routine and accommodated within local budgets. Should additional unforeseen costs arise, local collectors may require additional funds.

**REVENUE EXPLANATION**

The proposed legislation mandates a local sales tax exemption on food for home consumption that is anticipated to reduce annual local sales tax revenue by over \$600M statewide, which is expected to represent a substantial portion of local tax revenue.

The bill will impact a large number of parishes (63 out of 64 parishes currently collect). The likelihood that each parish, if not jurisdiction, has many eligible sales due to the inelasticity of demand for groceries implies a significant local impact beginning in the first year of effectiveness. The magnitude of the impact in each taxing jurisdiction will correspond to statewide purchases of food and beverages from local businesses selling food for home consumption, including grocery stores, bakeries, and donut shops.

The Legislative Fiscal Office (LFO) employed numerous approaches to estimate the impact of the proposed bill. The Department of Revenue's Tax Exemption Budget (TEB) for 2022-2023 estimates a FY24 cost to locals of \$572.5M from the state sales tax exemption on food for home consumption, assuming a tax rate of 4.45%. One approach utilizes this implied \$12.9B in gross sales, which was applied to local sales tax rates. A second approach compiled federal consumption data from the Bureau of Labor Statistics and the USDA to provide an average percentage of discretionary income typically spent on groceries, which was applied to state disposable income as reported in the 2021-22 LDR Annual Report. From these approaches, estimates of the resulting decrease in local sales tax revenue ranged from \$585M to \$635M annually (ULSTB reports a range of \$585M -\$597M.) The table above contains the average LFO result of \$610M in FY25 less \$50M due to an August 1 effective date. Assuming 2% sales tax growth each year, local revenues across the state are estimated to cumulatively decrease by \$3.1B by FY29. It is expected that the revenue impact within a particular political subdivision will vary depending on the eligible sales activity and tax rate within its boundaries. Translating state data to a local impact has considerable data limitations, which lends uncertainty to these estimates, particularly when parsed to specific localities.

*Note: The sales tax exemption on bakery products sold in furnished bakeries and donut shops is statutory and is currently suspended until 6/30/2025. Under the bill, transactions at these furnished facilities would be exempt from local sales tax but taxable for state sales tax until 6/30/2025. After 6/30/25, these purchases would be exempt from both state and local sales tax.*

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**Deborah Vivien**  
**Chief Economist**