



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

Fiscal Note On: **HB 10** HLS 243ES 14  
 Bill Text Version: **ENROLLED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> November 27, 2024 9:00 AM	<b>Author:</b> WRIGHT
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Increase Sales Tax Levy/Reduce Income Tax Rates	

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 Provides for the rate of the state sales and use tax and provides for the exemptions, exclusions, credits, and rebates claimed against sales and use taxes (Item #8)

Proposed law combines HB 10 (Re-Engrossed with Senate Committee Amendments posture) and HB 1 (Re-Engrossed with Senate Committee Amendments posture), with minor modifications to each. Additional exemptions are added and the effective combined rate is increased, relative to prior HB 10 posture. No other major changes relative to the prior posture of these bills is noted or assumed in this analysis.

The bill as amended broadly applies a flat 3% IIT rate with increase standard deductions, and increases the combined state sales tax rate to 5%, effective January 1, 2025. Additionally, proposed law sets a combined state sales tax rate of 4.75%, effective January 1, 2030.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	<b>\$200,000</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>\$200,000</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$200,000</b>					<b>\$200,000</b>

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	<b>\$7,000,000</b>	<b>\$181,000,000</b>	<b>(\$5,000,000)</b>	<b>(\$33,000,000)</b>	<b>(\$51,000,000)</b>	<b>\$99,000,000</b>
Agy. Self-Gen.	\$0	<b>\$2,000,000</b>	\$0	\$0	\$0	<b>\$2,000,000</b>
Ded./Other	\$0	<b>\$79,000,000</b>	<b>\$79,000,000</b>	<b>\$79,000,000</b>	<b>\$79,000,000</b>	<b>\$316,000,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
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>						

**EXPENDITURE EXPLANATION**

LDR anticipates a one-time additional cost of approximately \$200,000 for modifications to returns, LDR software, and the web filing application, and anticipates no need for additional positions due to proposed law. Any expenditure increases would be financed via SGR out of current collections, ultimately reducing state general fund revenues mechanically. LFO assumes that the \$200,000 expenditure would impact FY25.

**REVENUE EXPLANATION**

**Broad Revenue Impacts of Major Components:**

Initial estimates for major components affecting tax receipts are as follows (\$millions):

FY	25	26	27	28	29
Individual Income Tax Provisions	-334	-1,150	-1,338	-1,366	-1,384
Sales Tax Rate increase to 5.0% thru FY29	+300	+1,100	+1,100	+1,100	+1,100
Business Utilities sales tax of 2%	0	+230	+230	+230	+230
Sales Tax Base Modifications	+41	+82	+82	+82	+82

**Motor Vehicle Sales Tax & the Construction Subfund (CSF) of the Transportation Trust Fund:**

Approximately \$110 million of the +\$1,100 million sales tax revenue impact of the proposed 1.0% levy is anticipated to be generated by sales on motor vehicles. 60% of such revenues are dedicated to the CSF, thus \$66 million of the \$1,100 million increase is included in the table above as Dedicated revenues.

**Other Minor Dedications, LDR 1% SGR:**

Additionally, the Dedicated and Self-generated revenue figures in the table above reflect certain minor sales tax dedications, as well as the 1% of certain collections that LDR is permitted to retain as SGR (affecting only FY26).

Overall state revenue impacts, net of motor vehicle & general sales tax dedications, are reflected in the table above.

**Impact on Local Revenues:**

A detailed LFO estimate on likely local revenue impacts due to this proposal, either at the statewide level or for any particular political subdivision, is unavailable for purposes of this analysis.

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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**Legislative Fiscal Officer**