

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 102** SLS 13RS 426
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 24, 2013	6:30 PM	Author: BUFFINGTON
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Exemption from local sales tax for certain prescription drugs		

TAX EXEMPTIONS OR -\$5,000,000 LF RV See Note Page 1 of 1
 Provides exemptions from sales and use tax levied for certain VEGF inhibitors and certain complex biologics. (7/1/13)

Current law exempts prescription drugs from state sales and use tax and allows a local exemption based on local approval, although Caddo Parish is explicitly exempt in R.S. 47:337.10(K)(1). Oncological drugs and related chemotherapy drugs are exempt from both state and local sales and use tax.

Proposed law exempts the sale and use of vaso-endothelial growth factor, known as VEGF inhibitors, including but not limited to Visudyne and Macugen, from local sales and use tax for all local taxing authorities. The bill also provides for an exemption from local sales and use tax for complex biologics such as monoclonal antibodies, including but not limited to Infliximab. The exemption is effective July 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	2013-14	2014-15	2015-16	2016-17	2017-18	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>(\$5,000,000)</u>	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>	(\$20,000,000)
Annual Total	\$0	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$20,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The drugs described in this exemption are administered only in a physician's office to treat cardiovascular disease, prevent transplant rejection, cancer, viral infection, inflammatory diseases, and to suppress the immune system. At this time, physicians in nearly all parishes are subject to local sales tax as the consumer of the medication because they administer it. This bill seeks to exempt all transactions involving these types of drugs from local sales and use taxation (they are already exempt at the state level and in Caddo Parish).

According to IMS Health data provided by proponents of the legislation for 2010, total sales of biologics subject to tax in Louisiana (excluding the existing local exemptions) are about \$120 million per year. The data cannot be updated timely so serves as an estimate, considering that it is unclear which taxing authorities are enforcing the tax. Assuming a weighted average local sales tax rate of 4%, exempting these sales from the local sales tax results a local revenue loss of about \$5 million per year. The effective date of the exemption is July 1, 2014 which results in the first fiscal impact in FY 15.

The bill also contains a provision for the exemption of VEGF inhibitors from sales and use tax. Specific data to project the additional sales tax revenue loss due to this class of drugs was not available but will increase the local revenue loss above the amount discussed above. While it is expected that sales of complex biologics above will produce the majority of the revenue loss, that loss should be considered a minimum local revenue loss.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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