



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

Fiscal Note On: **HCR 14** HLS 15RS 1238  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 28, 2015 4:22 PM	<b>Author:</b> JACKSON
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Suspends exemptions to 1% of state sales tax for 1 year	

TAX/SALES & USE OR +\$177,400,000 GF RV See Note Page 1 of 1  
 Suspends exemptions to the state sales and use tax

Current law imposes a 4% state tax on sales of tangible personal property and certain services. Exemptions are listed in the law.

Proposed law suspends during FY 16 the exemptions for 1% of state sales and use tax imposed by R.S. 47:331, 0.03% of which is dedicated to the Tourism Promotion District.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$177,400,000	\$0	\$0	\$0	\$0	\$177,400,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$7,200,000	\$0	\$0	\$0	\$0	\$7,200,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$184,600,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$184,600,000</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue indicates that any expense related to this bill will be absorbed in the current budget. However, there are numerous exemptions that are suspended by this bill, which will require a substantial effort to change forms, systems and provide customer service for such an extensive change to a multitude of items that were not previously taxed. Costs and human resources required for implementation could be significant.

**REVENUE EXPLANATION**

The Department of Revenue data indicates that the bill will increase SGF revenue by about \$177M in FY 16 by suspending exemptions on a 1% sales tax rate on certain transactions. The figures are from the Tax Exemption Budget (TEB), which increases actual FY 14 exemptions by 2% to estimate FY 16, though total sales tax remittances did not grow as fast. In addition, about \$1.7M was subtracted from the total to allow for vendors compensation payments (0.935% of sales tax remitted) and \$5.5M for the Tourism and Promotion District Dedication, which is 3% of the portion of the state sales tax referenced by the bill. The reported amounts are from a voluminous list of exemptions, though the major ones are:

Business Utilities, Water and Steam	\$107,151,000
Other Category of TEB (estimated by LDR at 25%)	56,366,658
Sales of Motor Vehicles for Lease	13,254,750
Trucks/Trailers Used 80% for Interstate Commerce	4,077,250
Sales Tax Holidays	1,056,750
<u>Exemptions subject to 1% suspension</u>	<u>2,662,667</u>
Expected Increase in Sales Tax	\$184,569,074
less: Tourism Promotion District Dedication	(5,537,072)
<u>Additional Vendor's Compensation</u>	<u>(1,673,949)</u>
Expected Annual SGF impact (rounded)	\$177,400,000

Collections are likely to be low in the first month or two of this suspension, then ramp up as compliance improves. A material portion of what is foregone at the beginning of the fiscal year will be recouped in the accrual period at the end of the fiscal year.

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| Senate   | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}                  |                            |       | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & 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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