



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 412** HLS 15RS 575
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 6, 2015 4:19 PM **Author:** MORRIS, JAY
Dept./Agy.: Revenue **Analyst:** Deborah Vivien
Subject: 1% sales tax on food, drugs and residential utilities

FUNDS/FUNDING EG +\$113,000,000 SD RV See Note Page 1 of 1
 (Constitutional Amendment) Dedicates the avails of the existing one percent state sales and use taxes for the support of public elementary through post-secondary education
Current law prohibits a state sales tax on food for home consumption, prescription drugs and residential utilities.

Proposed law amends the constitution to allow a 1% state sales tax on food for home consumption, prescription drugs and residential utilities, in the same manner as R.S. 47:321 as on 1/1/15. The proceeds are dedicated to the Stability in Education Fund for use in elementary, secondary and post-secondary education. The fund is constitutionally created in the bill. No special tax treatments are allowed against the expanded base except those prohibited transactions listed in the bill and anything passed in a separate instrument with a 2/3 vote.

Effective 1/1/16 after voter approval in the October 24, 2015 statewide election.

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
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	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	\$113,000,000	\$232,000,000	\$237,000,000	\$240,000,000	\$246,000,000	\$1,068,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$113,000,000	\$232,000,000	\$237,000,000	\$240,000,000	\$246,000,000	\$1,068,000,000

EXPENDITURE EXPLANATION

The Department of Revenue indicates that one additional employee will be required to monitor the dedication of funds. implement this bill could require additional resources since it expands the tax base into areas that have not been taxed in the recent past and will involve system/form changes as well as vendor/consumer education and support efforts.

REVENUE EXPLANATION

The bill expands the state sales tax base related to the 1% state sales tax imposed by R.S. 47:321. The expanded base includes the previously exempted items of food for home consumption, prescription drugs and residential utilities. According to the Tax Exemption Budget, the expanded base at 1% would generate about \$227M in FY 16, \$232M in FY 17, \$237M in FY 18, \$241M in FY 19 and \$246M in FY 20.

from TEB	FY16	FY17	FY18	FY19	FY20
Food for Home Consumption	\$408,402,000	\$416,570,040	\$424,901,441	\$433,399,470	\$442,067,459
Residential Utilities	205,923,000	210,041,460	214,242,289	218,527,135	222,897,678
Prescription Drugs	295,113,000	301,015,260	307,035,565	313,176,277	319,439,802
TOTAL from TEB	\$909,438,000	\$927,626,760	\$946,179,295	\$965,102,881	\$984,404,939
1% equivalent	\$227,359,500	\$231,906,690	\$236,544,824	\$241,275,720	\$246,101,235

HB 768 of this session creates the Stability in Education Fund statutorily and dedicates to the fund the proceeds of R.S. 47:321 with certain exclusion and exemptions eliminated. This bill creates the same fund constitutionally and dedicates the proceeds of 1% state sales tax on food for home consumption, prescription drugs and residential utilities to the fund.

Only one-half of the FY16 effect is expected in that year since the tax goes into effect on January 1, 2016.

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

Gregory V. Albrecht
 Chief Economist