

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 509** HLS 15RS 1104
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Suspends Business Utilities exemptions from 1% for 2 years	

TAX/SALES & USE EG +\$103,000,000 GF RV See Note Page 1 of 1
 Suspends the state sales and use tax exemption for business utilities

Current law exempts from 4% state sales tax the purchase of electricity, steam and water by industrial users (business utilities).

Proposed law suspends for 2 years the exemptions on business utilities 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. The term of the suspension is 7/1/15 to 7/1/17.

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	<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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$103,000,000	\$105,000,000				\$208,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$4,200,000	\$4,300,000				\$8,500,000
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	\$107,200,000	\$109,300,000	\$0	\$0	\$0	\$216,500,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The Department of Revenue data indicates that the bill will increase SGF revenue by about \$107M in FY 16 by suspending exemptions on a 1% sales tax rate on business utilities. 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 \$1M was subtracted from the total to allow for vendors compensation payments (0.935% of sales tax remitted) and \$3.2M for the Tourism and Promotion District dedication, which is 3% of the portion of the state sales tax referenced by the bill for a net SGF impact of about \$103M. Annual growth between FY 16 and FY 17 is assumed to be 2%.

Business Utilities, Water and Steam	\$107,151,000
less: Tourism Promotion District Dedication	(3,214,530)
<u>Additional Vendor's Compensation</u>	<u>(1,001,862)</u>
Expected Annual SGF impact (rounded)	\$103,000,000

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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