



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

Fiscal Note On: **HB 434** HLS 15RS 725  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 7, 2015 3:43 PM	<b>Author:</b> JAMES
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Suspends Business Utilities exemptions from 2%	

TAX/SALES & USE OR +\$209,100,000 GF RV See Note Page 1 of 1  
 Suspends a certain portion of the sales and use tax exemption for nonresidential utilities

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

Proposed law suspends the exemptions on business utilities for 1.97% of state sales and use tax imposed by R.S. 47:321, and 331. The suspension also includes exemptions to taxes imposed by the Tourism Promotion District of 0.03%.

EXPENDITURES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$209,100,000	\$213,300,000	\$217,600,000	\$222,000,000	\$226,400,000	<b>\$1,088,400,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$5,200,000	\$5,300,000	\$5,400,000	\$5,500,000	\$5,600,000	<b>\$27,000,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$214,300,000</b>	<b>\$218,600,000</b>	<b>\$223,000,000</b>	<b>\$227,500,000</b>	<b>\$232,000,000</b>	<b>\$1,115,400,000</b>

**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 \$214M in FY 16 by suspending exemptions on a 2% 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 \$2M 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 levy for a net SGF impact of about \$209M.

Business Utilities, Water and Steam	\$214,302,000	\$218,588,040	\$222,959,801	\$227,418,997	\$231,967,377
less: Tourism Promotion District Levy	(3,214,530)	(3,278,821)	(3,334,397)	(3,411,285)	(3,479,511)
<u>Additional Vendor's Compensation</u>	<u>(1,943,612)</u>	<u>(1,982,484)</u>	<u>(2,022,134)</u>	<u>(2,062,577)</u>	<u>(2,103,828)</u>
Expected Annual SGF impact (rounded)	\$209,100,000	\$213,300,000	\$217,600,000	\$222,000,000	\$226,400,000

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"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}                  | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    | <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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