

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 72** HLS 161ES 75
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 21, 2016 10:54 AM	Author: SHADOIN
Dept./Agy.: Revenue	
Subject: Increases the sales tax on telecommunications	Analyst: Deborah Vivien

TAX/SALES-USE, STATE OR +\$27,500,000 GF RV See Note Page 1 of 1
 Increases the state sales tax on telecommunications services (Item #24)

Current law authorizes a 2% sales tax on interstate telecommunication services (decreasing to 1% on 4/1/16) and a 3% sales tax on intrastate telecommunications. After 0.935% retained in vendor compensation, dedications include 36% (established by LDR rule) to the Telephone Company Property Assessment Relief (TCPAR) Fund to be used for payment of telephone company property tax credits and 0.4% to the LED Fund.

Proposed law increases the current rates in law to 5% for all telecommunications. The dedications and vendor compensation are unchanged.

Effective April 1, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$27,500,000	\$27,500,000	\$27,500,000	\$27,500,000	\$27,500,000	\$137,500,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$15,700,000	\$15,700,000	\$15,700,000	\$15,700,000	\$15,700,000	\$78,500,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$43,200,000	\$43,200,000	\$43,200,000	\$43,200,000	\$43,200,000	\$216,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department indicates that any implementation costs will be absorbed in the current budget. Though the cost of this bill is minimal, the aggregate impact of all session bills may require additional resources.

REVENUE EXPLANATION

In FY 15, telecommunication sales tax collections for interstate and intrastate telecommunications of landline, wireless and prepaid wireless services were collected on sales of about \$1.8B. If the sales tax rate for telecommunications services is increased from current rates of 1% on intrastate sales and 3% on interstate sales to 5% on all telecommunication sales, collections are expected to increase annually by \$43.6M (from \$47.8M to \$91.4M), assuming the same services are taxed. However, collections are subject to 0.935% vendors compensation and a 0.4% dedication to the LED Fund. In addition, without a change to the rule establishing the retention rate, 36% of the collections after vendors compensation are deposited into the Telephone Company Property Assessment Relief Fund (\$33M). The increase in revenue due to the bill is shown below (\$ millions):

	Current Law	Proposed Law	Net=Annual Impact	FY 16
Gross Collections	47.8	91.4	43.6	10.9
less Vendor's Comp	(0.4)	(0.9)	(0.4)	(0.1)
Net Collections	47.4	90.5	43.2	10.8
0.4% to LED Fund	0.2	0.4	0.2	0.0
36% to TCPAR Fund	17.1	32.6	15.5	3.9
Total Dedications	17.3	33.0	15.7	3.9
 Net to State General Fund	 30.1	 57.6	 27.5	 6.9

Based strictly on a quarterly calculation of the annual estimate, FY 16 SGF is expected to increase by \$6.9M with dedications to the TCPAR Fund of \$3.9M. The first FY 16 collections affected by this bill will be due May 20.

Note: The bill includes a 4% rate under the RS 47:302 statute, which imposes a 2% tax on all other items. Some confusion may result as it is not clear whether telecommunications is being taxed in addition to the 2% (which would impose a total of 6% on telecommunications) or in lieu of the 2% (a total of 5%). The fiscal note assumes it is in lieu of the 2% and imposes a 5% sales tax on telecommunications.

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| <p><u>Senate</u> <u>Dual Referral Rules</u> <u>House</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}</p> | <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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