Louisiana Legislative Fiscal Office Fiscal Notes

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HCR 4** HLS 161ES 285
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 28, 2016 3:30 PM
Author: MORRIS, JAY
Dept./Agy.: Revenue
Subject: Suspends sales tax exemptions for 4 months
Analyst: Deborah Vivien

TAX/SALES-USE-EXEMPT EG SEE FISC NOTE GF RV See Note

Suspends various exemptions as to the 2%, 1%, and 0.97% state sales and use tax levys (Item #36)

Current law imposes a 4% state sales and use tax on sales of tangible personal property and certain services with specific exemptions and exclusions. A statutory dedication of 0.4% of remittances with $2M to the Marketing Fund and the remainder to the LA Economic Development (LED) Fund are required. Business utilities are taxed at 1% for 2015-16 fiscal year.

Proposed law expands the existing sales tax base by suspending exemptions to all 4% os state sales tax rate for business utilities, purchases of manufacturing machinery and equipment (MM&E), certain trucks and trailers used 80% in interstate commerce, and purchases during sales tax holidays, among many other transactions. The dedication to the Marketing Fund and LED Fund are retained. Presumaby local taxation and hotel dedications are not changed. Effective upon adoption extending for 60 days past the 2016 Regular Session of the Legislature.

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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The Department of Revenue indicates that any expense related to this bill will be absorbed in the current budget. However, implementation 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 and others with a tax rate increase. Costs and human resources required for implementation could be significant.

REVENUE EXPLANATION

While the proposal is similar to other legislation filed this session (HB 101) in terms of the base expansion, this bill is only in effect until August, 2016. These tax base changes would occur presumably April 1 and revert to the original base four months later. Since most of the base expansion is on items that were not previously taxed (with the exception of the 1% category and business utilities), collections are expected to be very low in the early months. This is made more precarious by the temporary nature of the tax increase, where the entire term of the measure is essentially a compliance ramp-up period. Other fiscal notes with this type of base expansion include a current year impact that allows for a slow adoption of the taxable changes. However, those bills show a permanent change in the tax base and allow an entire fiscal year for the implementation to take effect. With the implementation being removed in four months, there is little certainty as to the tax remittances that will result.

However, certain transactions affected by this bill have a reporting and/or collections record. Estimates based on that data are implied for this bill. Those include machinery & equipment ($26 million), business utilities ($60 million), trucks and trailers ($6 million), and total some $92 million over the term of this bill. Collections from other currently exempt transactions are speculative and are not included in the short term of this bill. What collections do occur as a result of the bill will presumably be accrued to FY16. However, the purchase of many items, especially durable goods such as machinery and trucks can often be readily delayed for a few months, resulting in materially less revenue from this measure, even from those transactions with reporting/collections data history, than would be expected from a simple extrapolation of those reported figures.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {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