

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 25** SLS 161ES 344

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 6, 2016 9:01 PM	Author: CORTEZ
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Expanded Base for State Sales and Use Tax	

FUNDS/FUNDING

RE SEE FISC NOTE GF EX

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Sunsets all sales and use tax exemptions other than those that are constitutionally protected. (Item #36)(7/1/17)

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 creates the Special Committee on Tax Exemptions and Exclusions which will review the those in the sales tax chapters and 0.03% sales tax imposed by the Tourism Promotion District. Members include the President and Speaker as well as other legislative leadership from the money committees, Commerce, Agriculture, Health, and Natural Resources. The 2 year chairmanship rotates between Revenue & Fiscal Affairs and Ways & Means. Prior to 3/1/17, the review will focus on exemptions and exclusions (e&e) passed prior to 1/1/75 to determine economic modeling, performance criteria based on cost, identify low performing e&e, and present a report by 3/15/17 with recommendations as well as the possibility of reduced sales tax on a broader base. The recommendation will also include a schedule for review. Prior to 3/1/19, the committee will review e&e enacted on or after 1/1/75 for virtually the same criteria along with a comparison of original and updated fiscal notes. The report for this portion is due by 3/15/19. Effective upon signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	\$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

REVENUES	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

While legislative membership per diem and expenses are not referenced in the bill, nor is specific staff support, presumably, the legislature will absorb any costs related to the membership and staffing of the newly formed Committee. The fairly large number of exemptions and exclusions involved will likely require substantial time and effort to analyze (updated performance, data, and fiscal notes), and will divert resources from other duties. In addition, timelines could be compressed in the run-up to odd-year fiscal sessions as the bill requires exclusions and exemptions to be identified and reviewed by March 1 of 2017 and 2019, and reports to be issued by March 15 of each year.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. The bill creates a Committee to study exclusions and exemptions to the state sales tax and the Tourism and Promotion District sales tax to culminate in recommendations. However, there are no mandated changes to taxes in the bill.

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}

John D. Carpenter
Legislative Fiscal Officer