



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 98** HLS 00- 336
 Bill Text Version: **ORIGINAL**
 Opp Chamb Action:
 Sub Bill For:
 Proposed Amd:

Date: May 28, 2000 2:05 PM	Author: THOMPSON
Dept/Agy: Revenue	
Subject: State Sales Tax - Additional Suspension of Exemptions	Analyst: Robert E. Hosse

TAX/TAXATION

(Constitutional Amendment) Provides for the suspension of certain exemptions from the state sales and use tax and dedicates the avails therefrom for a pay increase for certain public school employees

The bill suspends exemptions to any unsuspended portion of the State's 3.97% levy of the sales tax for the same period as exemptions are suspended or made inoperable to any other portion of the sales and use taxes levied by the state. The existing set of exceptions would be maintained. The bill would provide that the avails of such additionally suspended portions of the state sales tax are to be used solely and exclusively to provide for a pay increase for public school employees of the state, parish, and city elementary and secondary school systems. The pay increases are to be applicable to these employees and in such amounts as provided by law.

To be submitted at the November 7, 2000 statewide election. No specific effective date is provided in the bill; but this fiscal note assumes the bill is intended to be effective on January 1, 2001.

EXPENDITURES	2000-01	2001-02	2002-03	2003-04	2004-05	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./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	2000-01	2001-02	2002-03	2003-04	2004-05	5 YEAR TOTAL
State General Fd.	\$54,750,000	\$111,000,000	\$0	\$0	\$0	\$165,750,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$250,000	\$0	\$0	\$0	\$0	\$250,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$55,000,000	\$111,000,000	\$0	\$0	\$0	\$166,000,000

EXPENDITURE EXPLANATION:

The bill provides that the avails of any such suspension of exemptions are to be used solely and exclusively to provide for a pay increase for public school employees of the state, parish, and city elementary and secondary school systems as provided by law.

REVENUE EXPLANATION:

Gross revenue receipts from the renewal of this tax base in FY01 are \$55 million. After the dedications discussed below, general fund direct receipts will be approximately \$54.75 million. The estimate of suspension of exemptions is based on an econometric model of state sales tax collections. That model statistically adjusts for the shifts in the collections trend due to the expansion and contraction of the tax base resulting from the various suspensions of exemptions that have been enacted over time. The revenue estimate above is determined by the estimated magnitude of the shift to a 1¢ tax on these transactions. As additional collections data has been added to this model, this estimate has remained relatively stable. Thus, only a modest growth rate of 1% is assumed for each subsequent year of this suspension.

Tourism Promotion District Dedication: R.S. 51:1286 provides that the District is subject to the same exemptions and suspensions as are applied to the state's levy imposed by R.S. 47:331. This bill suspends exemptions to a different state levy and thus the District's collections are not affected by this bill.

Vendor Compensation Dedication: Act 50 (HB 194) of the First Extraordinary Session of 1998 renewed the vendor compensation based dedication to special funds through FY01. The renewed suspension of exemptions will generate an additional \$250,000 for these dedications in FY01 from the total collections generated by this bill. Under current law, the vendor compensation rate increases to 1.5% in FY02 (reducing general fund collections) but the dedication of collections based on that rate is also eliminated (increasing general fund collections). The result of current law is that, after FY01, these dedications are eliminated but net general fund collections are unaffected from what they are projected to be from the suspension of exemptions provided in this bill. This incremental adjustment is based on the official estimate for the vendor compensation based dedication in FY01 in the absence of the suspension of exemptions.

Note: This fiscal note is predicated upon the existing suspension of exemptions under Act 18 of the First Extraordinary Session of 2000. The Legislative Fiscal Office cannot anticipate what exemptions to the state's sales tax levy may be suspended in future years nor what portion of the state's levy would be subject to such suspension. However, if exemptions were suspended to 1% of the state's levy, this bill would provide that the remaining 3% levy would also be suspended, and that the avails of that suspension would be used for a pay increase to school employees.

Dual Referral Rules

Senate

- 13.5.1 >= \$500,000 Annual Fiscal Cost
- 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- 6.8(F) >= \$500,000 Annual Fiscal Cost
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

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