



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 768** HLS 15RS 576
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: May 4, 2015 7:32 AM	Author: MORRIS, JAY
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Suspends Exclusions and Exemptions and Dedicates All 321	

TAX/SALES-USE, STATE OR +\$181,000,000 GF RV See Note Page 1 of 1

Dedicates the avails of the existing one percent state sales and use tax for the support of public elementary through post-secondary education
 Current law imposes a 1% state sales tax on tangible personal property, subject to exclusions and exemptions as allowed by law. Aside from dedications to Economic Development, telecommunications and hotel/motel sales, most of the proceeds of the tax are state general fund revenue.

Proposed law eliminates most exclusions and exemptions from the 1% state sales tax imposed by R.S. 47:321. Impacted areas are specified in the bill with the major ones being business utilities and manufacturing machinery and equipment (MM&E). All proceeds from general and vehicle sales of 1% state sales tax imposed on the expanded base are then dedicated to the Stability in Education Fund created by the bill. The fund will be used exclusively for public elementary, secondary and post-secondary education. Interest and fund balance remain in the fund. Effective upon governor's signature.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	(\$792,000,000)	(\$816,000,000)	(\$840,000,000)	(\$865,000,000)	(\$883,000,000)	(\$4,196,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$973,000,000	\$1,000,000,000	\$1,028,000,000	\$1,058,000,000	\$1,079,000,000	\$5,138,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$181,000,000	\$184,000,000	\$188,000,000	\$193,000,000	\$196,000,000	\$942,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue indicates that any expenses will be absorbed in the current budget. However, bill extensively broadens the tax base for a portion of state sales tax and will impose a tax on many transactions that have not previously been taxable. Implementation could require a significant effort in system adjustment, form changes, as well as vendor and consumer support. Additional resources are likely to be required.


REVENUE EXPLANATION

The bill generates revenue to be dedicated by expanding the sales tax base for a 1% sales tax rate and also dedicates the revenue from the existing base of the same rate. The affected rate is a 1% tax levied by R.S. 47:321. All proceeds are dedicated to the Stability in Education Fund for education funding. The exclusion for fuel for residential use is also eliminated but is constitutionally protected so has no impact in the fiscal note. The estimated impact is subject to certain data restrictions, especially with regard to exclusions which may have no mandatory reporting requirement. Based on the Tax Exemption Budget and an LDR estimate of 301 exclusions, the impact is expected to be:

	FY16	FY17	FY18	FY19	FY20
Current Sales Tax Collections for 1% (per 1/26/15 REC) - to be Dedicated	\$792,175,000	816,125,000	839,725,000	865,250,000	882,555,000
<i>Eliminated Exclusions/Exemptions</i>					
Business Utilities, Water and Steam	\$107,151,000				
Manufacturing Machinery & Equipment	\$19,104,000				
"Other" Category (from LDR)	\$55,000,000				
Revenue generated by the bill	\$181,255,000	184,880,100	188,577,702	192,349,256	196,196,241
Additional Vendor's Compensation	(1,694,734)	(1,728,629)	(1,763,202)	(1,798,466)	(1,834,435)
Expected Total Dedication to Stability in Education Fund	971,735,266	999,276,471	1,026,539,500	1,055,800,790	1,076,916,806

Data for virtually all exclusions is not available since there are essentially no reporting requirements for those transactions, which adds significant uncertainty to the estimate.

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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} | |


John D. Carpenter
 Legislative Fiscal Officer