

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 224** HLS 17RS 771

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--|---------|-----------------------------------|
| Date: May 10, 2017 | 2:33 PM | Author: MORENO |
| Dept./Agy.: Revenue | | Analyst: Alan M. Boxberger |
| Subject: Dedicates certain hotel taxes in Orleans into a new fund | | |

FUNDS/FUNDING

EG DECREASE GF RV See Note

Page 1 of 2

Dedicates state sales and use taxes levied on hotel rooms in residences in Orleans Parish into the New Orleans Quality of Life Fund

Present law dedicates 1% of state sales and use tax on hotel rooms in Orleans Parish into the Ernest N. Morial Convention Center Phase IV Expansion Project Fund, the New Orleans Sports Franchise Fund, and the New Orleans Area Economic Development Fund. Present law dedicates 0.97% of the state sales and use tax on hotel rooms in Orleans Parish into the New Orleans Convention and Visitors Bureau Fund. Present law authorizes the Louisiana Stadium and Exposition District to levy a hotel occupancy tax, defines hotels as establishments of ten or more guest rooms, and abates the 2% state sales tax on hotel fees and rental fees covered by the occupancy tax in the event an occupancy tax is levied.

Proposed law creates the New Orleans Quality of Life Fund (Fund) in the state treasury and dedicates 3.97% of the state sales and use tax levied on hotel rooms in residential locations collected in Orleans Parish to the Fund to be used by the city of New Orleans for code enforcement by the City of New Orleans Short Term Rental Administration. Any monies appropriated in excess of the amount needed for code enforcement, shall be available for deposit into the city's general fund.

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|---------------|
| State Gen. Fd. | SEE BELOW | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| 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 | | | | | | |

| REVENUES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|---------------|
| State Gen. Fd. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| 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 | | | | | | |

EXPENDITURE EXPLANATION

Proposed law will result in the Louisiana Department of Revenue (LDR) incurring SGF costs related to programming, testing and system development along with associated changes to software. LDR estimates total costs for the enumerated items at approximately \$25,680. This type of modification is a normal requirement of legislation after every legislative session and the LFO assumes such costs can be covered with existing resources and staff. Additional resources may be required by the department dependent upon the cumulative amount of changes enacted in the session.

The Louisiana Department of Treasury will incur SGF costs related to the creation of a new statutory dedication, including fund accounting, financial reporting, banking and custodial functions. These costs are typically small for individual statutory dedications (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative additional dedications necessitate that increased resources be provided. At the point additional resources are necessary, the Treasury reports it will require one additional T.O. position with total personal services costs of approximately \$71,000 as well as one-time costs associated with acquisition of office equipment at approximately \$2,450.

Proposed law will result in a redistribution of fund expenditures between certain statutory dedications utilized by political subdivisions in and around New Orleans.

REVENUE EXPLANATION

Proposed law establishes the New Orleans Quality of Life Fund and dedicates 3.97% of the state sales and use taxes levied on hotel rooms in residences collected in Orleans Parish into the fund and provides for allowable use of the monies. Act 17 of the 1st Extraordinary Session of 2016 expanded the definition of hotel room for taxation purpose to include all room rentals in a single business location or structure used as a residence, regardless of the number of rooms. Currently 1.97% of the state sales and use taxes levied on these rooms is dedicated to other uses in the area: 1% is dedicated to Ernest N. Morial Convention Center Phase IV (\$2M) and Saints contractual obligations, with any residual to the New Orleans Area Economic Development Fund; 0.97% is dedicated to the New Orleans Convention and Visitors Bureau. The remaining 2% is not dedicated and flows into the SGF. At the current time, Orleans and Jefferson Parishes are the only local governing authorities in the state for which the 2% allocation does not flow back to the local authority. In Orleans and Jefferson Parishes, the 2% sales tax is not being collected due to procedural allowances of Constitutional Ancillaries (14:47(M)) allowing for the 2% sales tax to be abated if the Louisiana Stadium and Exposition District imposes an occupancy tax on entities with 10 or more rooms. Proposed law will clarify that the abatement not apply to these specific hotel taxes for Orleans Parish and directs that they be deposited into the newly created fund.

Revenue Explanation Continued on Page 2

| | | |
|---|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <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"/> 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} |

Evan Brasseaux

Evan Brasseaux
Staff Director

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CONTINUED EXPLANATION from page one:

Revenue Explanation Continued from Page 1

LDR reports the effect of proposed law should lead to an indeterminable decrease in SGF and an increase in revenues into the newly created New Orleans Quality of Life Fund. Proposed law will lead to a decrease of deposits into the Ernest N. Morial Convention Center Phase IV Expansion Project Fund, the New Orleans Sports Franchise Fund and the New Orleans Area Economic Development Fund and result in a dollar for dollar increase into the New Orleans Quality of Life Fund. Proposed law will lead to a decrease of deposits into the New Orleans Convention and Visitors Bureau Fund and an equal increase into the New Orleans Quality of Life Fund.

Proposed law only applies to Orleans Parish rentals from certain entities. The state does not yet have access to actual annual state collections since the tax was implemented on 7/1/16. The impact on the SGF is indeterminable, but expected to be minimal, and result in a redistribution of funds between certain statutory dedications.

Senate Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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