

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 507** HLS 19RS 702

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 23, 2019	4:26 PM	Author: ABRAMSON
Dept./Agy.: LA Dept. of Agriculture & Forestry/LA Dept. of Health		Analyst: Zachary Rau
Subject: 7% Sales Tax on Therapeutic Marijuana, NOW Fund		

TAX EG INCREASE SD RV See Note Page 1 of 1
Levies a 7% tax on the gross sales of therapeutic marijuana and dedicates the avails into the New Opportunities Waiver Fund

Present law provides for the regulation of therapeutic marijuana production (TM) in Louisiana by the LA Dept. of Agriculture & Forestry (LDAF), including a provision allowing LDAF to retain an amount equal to 7% of gross sales of TM. Proposed law removes the 7% retainage on gross TM sales for the LDAF. Proposed law further levies a 7% sales tax on gross TM sales and dedicates the proceeds of the tax to the New Opportunities Waiver Fund. Proposed law further allows the LDAF to receive a portion of the revenues associated with the avails of the gross TM tax via legislative appropriation.

Effective July 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						
REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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

According to the LDAF, the proposed law will not affect current expenditures associated with regulation of TM, as it reports that it is currently funding TM regulatory activities utilizing all available other means of finance. LDAF further reports cost estimates associated with TM regulation in the following amounts by fiscal year: FY 20 - \$778,577; FY 21 - \$774,950; FY 22 - \$785,836; FY 23 - \$796,940; FY 24 - \$808,266. LDAF anticipated its regulatory costs to be defrayed by a 7% retainage on gross sales of TM pursuant to Act 567 of the 2016 R.S., that this proposed legislation removes, although it does allow for the department to receive a portion of the 7% gross sales tax, pursuant to legislative appropriation, to defray regulatory costs. To the extent LDAF is not able to sustain TM regulatory operations at anticipated levels within its available other means of finance or by receiving a portion of the revenues from the 7% sales tax via legislative appropriation, the department may require an additional SGF appropriation in subsequent fiscal years to maintain regulatory operations.

REVENUE EXPLANATION

Current law provides that a 7% of gross sales of therapeutic marijuana be retained by the LDAF to defray its costs to regulate production and sales of TM in Louisiana. These funds would be considered self-generated revenue to LDAF.

Proposed law eliminates the 7% retainage on gross sales of therapeutic marijuana for the LDAF, and imposes a 7% sales tax on gross sales of TM, the proceeds of which are dedicated to the New Opportunities Waiver (NOW) Fund, a statutory dedication. The NOW Fund may only be used to fund Medicaid waiver services as defined in LA R.S. 39:100.61(B)(3). Furthermore, proposed law allows the LDAF to receive a portion of these revenues to defray its regulatory costs.

While sales of TM are legal pursuant to present law, no sales of TM are currently occurring in Louisiana, therefore no revenue is accruing to the LDAF to be shifted to the NOW Fund. The extent of such revenue in the future is speculative, but the bill appears to intend to shift the disposition of those future revenues away from LDAF self-generated revenue and to the NOW Fund statutory dedication, as displayed in the table above.

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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