

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 60** HLS 19RS 46
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 21, 2019 3:14 PM **Author:** MORRIS, JAY
Dept./Agy.: REVENUE **Analyst:** Benjamin Vincent
Subject: Sales Tax Holidays: Annual, 2nd Amd, Hurricane Prep

TAX/SALES-USE-EXEMPT RE1 -\$4,900,000 GF RV See Note Page 1 of 1
 Provides for the effectiveness of the sales and use tax exemption for the Second Amendment Weekend sales tax holiday

Present law suspends certain state and local sales and use tax exemptions, subjecting purchases during the Annual Louisiana Sales Tax Holiday (R.S. 47:305.54), 2nd Amendment Sales Tax Holiday (R.S. 47:305.62), and the Hurricane Preparedness Sales Tax Holiday (R.S. 47:305.58) to the full 4.45% state-level rate through July 1, 2025, at which time these purchases will become fully exempt.

Proposed law provides that the exemptions under these sales tax holidays would be reinstated, and fully exempt from the total rate of 4.45% of state sales and use tax, and all three take place at the same time; on the last consecutive Saturday and Sunday in July annually.

Effective upon governor's signature.

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.	\$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	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	(\$4,800,000)	(\$4,900,000)	(\$4,900,000)	(\$4,900,000)	(\$4,900,000)	(\$24,400,000)
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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

LDR reports that the proposal will incur programming, testing, and system development costs to reprogram revenue accounting, amounting to approximately \$25,680 in staff-time IT costs.

REVENUE EXPLANATION

Proposed law provides that the suspended sales tax holidays in R.S. 47:305.54, 305.58, and 305.62 would be reinstated, and that these purchases would be fully exempt from state sales and use tax. The 2nd Amendment holiday mandates that eligible purchases are exempt from local sales tax.

As sales tax data reported for sales tax holidays has fluctuated significantly in recent years, the estimate of the impact of proposed law is based on a multi-year average of recent sales tax holiday data.

For the Annual holiday (R.S. 47:305.54), language in proposed law is ambiguous as to whether local political subdivisions are mandated or simply authorized to grant the associated exemptions. Proposed law appears to require a local ordinance or resolution to apply the Annual holiday exemptions in Section B(2), but in Section B(1) it also appears to mandate political subdivisions to grant the exemptions.

For the Second Amendment and Hurricane Preparedness holiday items, proposed law mandates that political subdivisions grant the associated exemptions.

Estimated sales associated with these sales tax holidays totals approximately \$110 million per year, implying a state revenue loss of \$4.9 mil per year at a 4.45% tax rate. Approximately \$4.2 million of this loss is associated with the Annual Holiday, \$600,000 with the 2nd Amendment Holiday, and \$100,00 with the Hurricane Preparedness Holiday. This revenue loss is depicted as entirely state general fund in the table above, but small amounts of loss (roughly 1% of the total) will occur to the Tourism Promotion District allocation and economic development dedications, as well.

Currently, when in effect, each holiday occurs at different times of the year. This bill reestablishes the holidays on the same two days of the year. This affects FY20 losses by moving the next hurricane preparedness holiday into FY21 (July 2020), rather than FY20 (May 2020). The estimates above assume the holidays will still be marketed separately for their unique purposes, and that affected sales will approximate the amounts when offered at different times of the year.

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| <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 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} |

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