

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 338** SLS 09RS 875
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Sales exempt Hands On N.O. and Rebuilding Together N.O.		

TAX EXEMPTIONS EN -\$5,000 GF RV See Note Page 1 of 1
 Exempts from state and local sales tax the sale of construction materials to certain organizations intended for use in constructing new residential dwellings in this state. (7/1/09)

Proposed law provides an exemption from state and local sales tax for construction, rehabilitation and renovation materials purchased by the Hand On New Orleans and Rebuilding Together New Orleans covenant partners for use on homes affected by Hurricanes Katrina or Rita. The total amount of state and local tax exemption allowed by the bill is capped at \$500,000 per calendar year.

Effective July 1, 2009.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$25,000)
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	<u>(\$5,600)</u>	<u>(\$5,600)</u>	<u>(\$5,600)</u>	<u>(\$5,600)</u>	<u>(\$5,600)</u>	(\$28,000)
Annual Total	(\$10,600)	(\$10,600)	(\$10,600)	(\$10,600)	(\$10,600)	(\$53,000)

EXPENDITURE EXPLANATION

It is not clear how a cap to the state and local exemption amount can be enforced. Sales tax exemptions are typically realized at the point of sale. The Department of Revenue may have to implement the intent of this bill as a rebate of state taxes paid. Local authorities may have to do the same. Such an approach will add to administrative costs.

REVENUE EXPLANATION

The exemption offered by this bill is expected to reduce state general fund by about \$5,000 and local sales tax collections by about \$5,600, assuming a 4.5% local sales tax rate. These amounts assume that all planned renovations take place on homes impacted by Hurricanes Katrina and Rita. To the extent that renovations by these two entities extend to homes not affected by the storms of 2005 and the bill's limitation to only homes damaged by those two storms can be enforced, the fiscal impact of this bill will decline. The cap of \$500,000 is not expected to be binding, even if activity by these organizations is much greater than reported.

Rebuilding Together New Orleans is organized through the Preservation Resource Center of New Orleans and provides rehabilitation and renovation services to the urban poor. Of the rehabilitation and renovation projects undertaken by Rebuilding Together New Orleans, very little is centered around building new residential dwellings with more emphasis placed on historic preservation of existing structures. However, this organization is planning to renovate about 100 homes each fiscal year for the next five years with average purchases for materials of \$800 for each project. This implies total expenditures of \$80,000 with state sales tax of \$3,200 and local sales tax of \$3,600, assuming a 4.5% local rate.

Hands On New Orleans organizes volunteers to provide manual labor for various projects. The projects include renovations, repairs, landscaping among other skills that involve manual labor that may not be available. Very few of the projects involve construction of new residential dwellings. No specific data was available at the writing of this note but it is assumed that the activity level of this organization brings the total expenditures of both organizations to \$125,000 per year which is the basis of the fiscal impact shown in the box above.

Senate Dual Referral Rules

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

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