

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 61** HLS 161ES 26
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 8, 2016 9:32 AM	Author: MORRIS, JAY
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Expands 321 base	

TAX/SALES & USE RE +\$110,900,000 GF RV See Note Page 1 of 2

Dedicates the avails of the existing two percent state sales and use tax to the Stability in Higher Education Fund and provides with respect to the extent of that tax base for purposes of monies available for deposit into the fund (Items #7 and 36)

Current law imposes a 4% state sales and use tax on sales of tangible personal property and certain services with specific exemptions and exclusions. A statutory dedication of 0.4% of remittances with \$2M to the Marketing Fund and the remainder to the LA Economic Development (LED) Fund are required. Business utilities are taxed at 1% for 2015-16 fiscal year.

Proposed law expands the base of 1% of sales tax (R.S. 47:321). Many items previously exempt would be taxable at 1% including business utilities (2% until August 2016), manufacturing machinery & equipment (MM&E), manufacturers' rebates on vehicles, LA Tax Free Shopping (1% will not be refunded), all sales tax holidays, and numerous others. The \$25 cash register reprogramming reimbursement is repealed. Effective April 1, 2016 through April 1, 2019.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$110,900,000	\$110,900,000	\$83,200,000	\$0	\$0	\$305,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$1,600,000	\$1,600,000	\$1,200,000	\$0	\$0	\$4,400,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$112,500,000	\$112,500,000	\$84,400,000	\$0	\$0	\$309,400,000

EXPENDITURE EXPLANATION

The Department of Revenue indicates that any expense related to this bill will be absorbed in the current budget. However, implementation will require a substantial effort to create and monitor the fund, change forms, systems and provide customer service for such an extensive change to a multitude of items that were not previously taxed and others with a tax rate increase. Costs and human resources required for implementation could be significant.

REVENUE EXPLANATION

With sales tax collections currently showing little growth over last year, FY 15 actual figures will serve as an estimate for an annual impact to state revenues with respect to currently taxed transactions. The Department of Revenue data in the Tax Exemption Budget is used for currently exempt transactions. These data sources suggest that state revenue may be affected by the following amounts on a full year annual basis:

1.0% on New Taxable Base (\$ Millions)

	Annual	FY 16*	FY 19
MM&E	18.8	4.7	14.1
Business Utilities (2% thru 8/1/16)	60.0	15.0	45.0
Certain Trucks and Trailers	4.9	1.2	3.7
Vehicle Rentals	0.0	0.0	0.0
Manufacturers' Rebate New Car	4.0	1.0	3.0
Manufactured Homes	0.0	0.0	0.0
Sales Tax Holidays	1.3	0.0	0.9
Tax Free Shopping	0.3	0.0	0.2
Other (Assuming 10%)	22.6	0.0	17.0
1% Base	2.6	0.7	2.0
TOTAL	114.5	22.6	85.9
Farm Fuel	(2.0)	(0.5)	(1.5)
LED Fund	(0.5)	(0.1)	(0.4)
Vendor Compensation	(1.1)	(0.3)	(0.8)
Net SGF Impact	110.9	21.7	83.2

*These estimates imply a full quarter of unprotested collections based on an annualized amount. Actual collections could be lower, especially in the first months of implementation as compliance improves. The category of "Other" sales is assumed at (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 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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CONTINUED EXPLANATION from page one:

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REVENUE EXPLANATION (Continued from Page 1)

zero for the first three months. The first FY 16 collections affected by this bill will be due May 20. Any error inherent in the base figures are also carried into this estimate, which increases uncertainty. FY 19 is three quarters of the annual estimate as the bill will be in effect for 9 months in FY 19.

All of the figures in the note are preliminary due to the expedited analysis of an extensive change to legislation. Further analysis could alter this estimate. In addition, actual collections could be materially affected by taxpayer behavior that can be different in response to temporary taxation versus permanent taxation.

Senate Dual Referral Rules House

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

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

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

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