

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 240** HLS 17RS 738
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|----------------------------------|
| Date: May 24, 2017 2:59 PM | Author: BROADWATER |
| Dept./Agy.: REVENUE | Analyst: Benjamin Vincent |
| Subject: Sales & Use Tax Exemption: Lease or Rental Property | |

TAX/SALES-USE, ST-EXCLUSION EG -\$4,000,000 GF RV See Note Page 1 of 1
 Excludes purchases of tangible personal property purchased for lease or rental from state sales and use tax.

Current law applies a 2% tax on sales of tangible personal property for lease or rental until July 1, 2018, at which time these transactions will become fully excluded from all state sales & use tax.

Proposed law provides that purchases of tangible personal property for lease or rental are immediately fully excluded from state sales & use tax.

Effective October 1, 2017.

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 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 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|----------------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | (\$4,000,000) | \$0 | \$0 | \$0 | \$0 | (\$4,000,000) |
| 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>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | (\$4,000,000) | \$0 | \$0 | \$0 | \$0 | (\$4,000,000) |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Current law imposes a 2% rate of tax on purchases of tangible personal property for lease or rental through July 1, 2018, at which time these transactions will become fully exempt.

Proposed law would exclude these transactions from the 2% imposition for the final 9 months of FY18.

Based on sales tax filings over the last 5 years, average annual implied transactions for FY18 are projected to be \$252M. Relative to current law, excluding these purchases from the remaining 2% rate for nine months of FY18 would result in an estimated revenue loss of \$4 million.

Some transactions that would have been made in September 2017 may be delayed until October 2018 to avoid the 2% levy, which would increase the FY18 revenue loss to some extent. As there is no readily available data yielding insight on this behavior, it is not accounted for in the \$4 million figure, and assumed to be no larger than the rounding error for these purchases.

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}

Gregory V. Albrecht
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Chief Economist