

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 19** HLS 181ES 71  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> February 19, 2018 3:43 PM	<b>Author:</b> LEGER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Sales Tax: Services	

TAX/SALES & USE OR +\$124,000,000 GF RV See Note Page 1 of 2  
 Adds sales of certain services to the sales and use tax base.

Current law imposes state sales and use taxes on tangible personal property and certain services at a combined rate of 5% until July 1, 2018, at which time a 4% rate will be imposed.

Proposed law adds the provision of several services to the sales and use tax base beginning on July 1, 2018.

Effective upon governor's signature.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$124,000,000	\$177,000,000	\$177,000,000	\$177,000,000	\$177,000,000	\$832,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$1,000,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$6,200,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$125,000,000</b>	<b>\$178,300,000</b>	<b>\$178,300,000</b>	<b>\$178,300,000</b>	<b>\$178,300,000</b>	<b>\$838,200,000</b>

**EXPENDITURE EXPLANATION**

The Dept. of Revenue (LDR) will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

**REVENUE EXPLANATION**

Proposed law adds sales of certain services to the state sales and use tax base. A list of these services and media items is included on page 2.

Significant caution should be taken when considering the estimated revenue impacts of proposed law. Transaction data capable of providing anything better than a rough estimate for these services is not available. Additionally, significant collections challenges exist, particularly with digital media and electronic services. It is possible that actual tax collections could be materially smaller than implied by the estimated tax base.

Some prior investigation into expanding the base to services has been conducted. An estimate of a provision similar to proposed law, based on Census Bureau data compiled by the Revenue Dept (LDR), suggests that the provision would yield \$195 million in FY19. Another estimate, based off of Louisiana sales and trade flow data contained in a state input-output model (IMPLAN), suggests a potential total revenue gain of \$178 million. Given the uncertainty associated with expansion of taxation into new transactions not currently taxed, the lower of the two estimates is assumed for this fiscal note.

The revenue impacts above reflect an effective date of July 1, 2018, a 4% tax rate for FY19-FY23, and a compliance ramp-up assumption affecting about 30% of FY19 collections. A 0.03% component of the total 4% rate is utilized by the LA Tourism Promotion District (R.S. 51:1286), and accounts for the revenue increase to Dedicated/Other revenue in the table above.

The estimated total revenue impact is approximately \$125 million in FY19, and \$178 million in FY20-FY23.

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**  
**Chief Economist**

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CONTINUED EXPLANATION from page one:

Proposed law adds sales of the following services to the sales and use tax base:

- Credit reporting services
- Debt collection services
- Insurance services
- Immovable property services
- Data processing and data storage services
- Immovable property repair and remodeling services
- Security services
- Telephone answering services
- Audio and video services including cable, satellite, streaming, and downloading
- Information services
- Personal services including massage parlors, escort services, and Turkish baths or steam baths

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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