

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 20** HLS 181ES 66
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

Date: February 20, 2018 5:44 PM	Author: HAVARD
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales Tax: Standardize & Broaden Permanent Base	

TAX/SALES & USE OR +\$143,000,000 GF RV See Note Page 1 of 2
 Subjects all sales & use tax levies in FY19 and beyond to a broader, identical, and permanent tax base.

Current law subjects certain transactions to sales and use tax via levies in R.S. 47:302 (2%), 47:321 (1%), 47:331 (0.97%), and 47:321.1 (1%). Each levy is subject to a particular list of exemptions and exclusions, some of which are temporarily suspended through FY18. R.S. 51:1286 applies an additional levy of 0.03% to all transactions covered by R.S. 47:331, the proceeds of which are utilized by the LA Tourism Promotion District. Certain business utilities are taxed at 1% until March 31, 2019, at which time they will become fully exempt. The 47:321.1 levy of 1% is scheduled to expire on July 1, 2018.

Proposed law removes and/or sunsets certain exemptions and exclusions to the traditional levies such that the taxable base for all levies remaining in FY19 and beyond will be broader and uniform, with the exception of business utilities which will be exempt from the 1% levy in R.S. 47:321 (therefore subject to a 3% tax rate). Proposed law provides that the temporary 1% levy in 47:321.1 will expire as scheduled on July 1, 2018. Effective July 1, 2018.

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
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$143,000,000	\$178,700,000	\$178,700,000	\$178,700,000	\$178,700,000	\$857,800,000
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
Annual Total	\$144,000,000	\$180,000,000	\$180,000,000	\$180,000,000	\$180,000,000	\$864,000,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law generally eliminates exemptions and exclusions as defined in R.S. Title 47 and applies a uniform list of exemptions and exclusions to each levy, except for business utilities. The combined sales and use tax rate applied to the general base in FY19 and beyond will be 4.0%. Proposed law exempts business utilities from the 1% levy in R.S. 47:321, so the combined rate on those transactions will be 3.0%.

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.

Based on reported sales and tax receipts by sales tax remitters since April 2016, in FY19 proposed law will increase General Fund revenue by an estimated \$143 million and Dedicated/Other revenue by \$1 million, relative to current law in FY19.

Current law provides that certain business utilities are taxed at 1% for 9 months of FY19. This provision will be replaced by proposed law, which diminishes the revenue gain in FY19 by approximately \$36 million in the table above, since revenue from those transactions under current law is already accounted for in the baseline forecast. In FY20 and beyond, the total revenue impact will step up to \$180 million (\$179 million General Fund + \$1 million Dedicated/Other), since all revenue from certain business utilities will be accounted for by the provisions of this bill.

The most significant exemptions that will be subject to tax due to proposed law for FY19 are listed on page 2.

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}

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CONTINUED EXPLANATION from page one:

List of the most significant single exemptions that will be subject to tax due to proposed law in FY19:

Business Utilities (main)	\$102 mil
Electricity for Chlor-Alkali Manufacturing Processes	\$10 mil
August Sales Tax Holiday	\$5 mil
Sales of water (Nonresidential- Business Utilities)	\$4 mil
Diesel, Propane, Butane, Other Liquefied Petroleum (Agric)	\$4 mil
Utilities for Paper/Wood Product Manufacturing	\$3 mil
Certain Pollution-control Equipment	\$2 mil
Admissions to Museums/Parks/Aquariums/Nature Centers/etc	\$2 mil
Other Items (approximately 120)	\$12 mil

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}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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