

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 23** HLS 182ES 27
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 23, 2018	4:57 PM	Author: JAMES
Dept./Agy.: REVENUE		Analyst: Benjamin Vincent
Subject: Sales Tax: Permanent 0.75% and increased dedicated funds		

TAX/SALES-USE-EXEMPT OR +\$749,000,000 RV See Note Page 1 of 2
 Imposes a state sales and use tax and dedicates a portion of the proceeds for support of public education, including teacher salaries, early childhood education, the La. Go Grants Program, and TOPS (Items #10, 22, and 23)
Current law subjects certain transactions to a levy of 1% via R.S. 47:321.1. This levy is scheduled to expire on June 30, 2018.

Proposed law provides that the temporary levy in R.S. 47:321.1 will become permanent at a rate of 0.75% on July 1, 2018, and will apply to narrower base. Proposed law provides for some of the avails of the tax to be deposited in certain dedicated funds, and for the remaining avails of the tax to be deposited into the general fund. Proposed law additionally provides a statement of intent for the allocation of some of the remaining avails of the tax, but does not allocate them into dedicated funds.

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.	\$464,000,000	\$500,000,000	\$500,000,000	\$500,000,000	\$500,000,000	\$2,464,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$1,425,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$749,000,000	\$785,000,000	\$785,000,000	\$785,000,000	\$785,000,000	\$3,889,000,000

EXPENDITURE EXPLANATION

Proposed law states intent that additional Executive Budget appropriation recommendations will be made in all future years, in the amounts of \$100 million through Minimum Foundation Program for school staff salaries and benefits, and \$50 million for the GO Grant Program. These appropriations are not to supplant or substitute for the level of general fund support appropriated for these purposes in FY18. Any general fund expenditure allocation is considered attributable to future appropriation bills, and is not reflected in the expenditure impact of proposed law.

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. It makes the temporary levy in R.S. 47:321.1 permanent and reduces the rate to 0.75%, starting July 1, 2018. The total tax rate applying to all transactions in the uniform base will be 4.75%; 4.72% to the state General Fund, and 0.03% to the Louisiana Tourism Promotion District (TPD).

Proposed law provides that business utilities will be subject only to the R.S. 47:302 levy, at a total rate of 2.0%.

Based on reported sales and tax receipts by sales tax remitters since April 2016, proposed law will increase total revenue by an estimated \$749 million in FY19 (\$464 million General Fund + \$230 million TOPS Income Fund + \$50 million Early Childhood Education (ECE) Fund + \$5 million TPD).

Current law provides that certain business utilities will be 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, to the FY19 total in the table above. Business utilities will generate an estimated \$96 million in FY20 and all years following, resulting in a total revenue impact of \$785 million (\$500 million General Fund + \$230 million TOPS Income Fund + \$50 million ECE Fund + \$5 million TPD) for those years.

The most significant revenue-generating items in FY19 are listed below (totals may not match table above due to rounding):
 Applying 0.75% levy to the bill's tax base (excluding motor vehicles and business utilities): \$583 mil
 Business Utilities- 2.0%: \$60 mil
 Applying 0.75% levy to motor vehicle purchases: \$77 mil
 Removing exemptions from 4% of levies (approx 100 items, all less than \$5 mil each): \$29 mil

Continued on Page 2

<p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}</p>	<p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>	
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Gregory V. Albrecht
 Chief Economist

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CONTINUED EXPLANATION from page one:

REVENUE EXPLANATION (cont)

Proposed law dedicates the following amounts from the avails of the tax:

- \$230 million to the TOPS Income Fund
- \$50 million to the Early Childhood Education Fund

Additionally, R.S. 51:1286 (LA Tourism Promotion District) allocates 0.03% of taxable sales under R.S. 47:331 to the LA Tourism Promotion District. The anticipated increase in dedicated TPD revenues is approximately \$5 million in all years due to proposed law.

The total revenue impact on dedicated funds is an anticipated increase of \$285 million.

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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