

**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **SB 268** SLS 24RS 509  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

**Date:** March 26, 2024 5:17 PM **Author:** CATHEY  
**Dept./Agy.:** Department of Revenue **Analyst:** Noah O'Dell  
**Subject:** State Sales Tax Rebate for Purchases in Lithium Recovery

TAX/TAXATION Page 1 of 1  
 EG DECREASE GF RV See Note  
 Creates a state sales tax rebate for the purchase of equipment, machinery, and other items used in lithium recovery activities. (gov siq)  
Current law offers state sales tax rebates or exclusions for certain manufacturers for the purchase of manufacturing machinery and equipment as well as the option of a sales tax rebate for those qualifying for the Quality Jobs program.

Proposed law retains current law and establishes a new temporary rebate of all state sales taxes paid by any company evaluating, developing, or engaged in production from a qualified lithium recovery project (defined in bill) for purchases of all equipment, machinery, materials, improvements, and other items for use in Louisiana in connection with the development, production, operation, storage, processing, or transportation of lithium. Proposed law defines a qualified lithium recovery project and requires the Dept. of Revenue (LDR) to implement the rebate including rules, if needed.

The rebate is applicable to purchases made on or after July 1, 2024 and terminates on December 31, 2025.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	<b>DECREASE</b>	<b>DECREASE</b>	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**  
 Due to the broad nature of the rebate both in potential applicants and eligible sales, participation rates could vary significantly under the proposed law. Given this variability, spending related to the bill is speculative. LDR anticipates the need for one-time IT costs of \$51,360 and for 2 Revenue Tax Specialists (salary and benefits of \$89,515 each) to review and process rebate claims based on experience with costs related to current rebates. The number of applications along with potential documentary and review requirements due to the complexity of items that appear to qualify for the sales tax rebate may warrant additional resources if the rebates are to be issued timely. Note: An increase in SGR spending within LDR is anticipated to reduce the amount of SGF reverted to the general fund.

**REVENUE EXPLANATION**  
 The bill allows a temporary state sales tax rebate if any qualified project, which is broadly defined as a lithium recovery and processing project that is or will be developed, constructed, or operated in Louisiana, and extends to any company associated with a qualified project making eligible purchases to be used in the state. These purchases would not be subject to state sales tax during the effective time period of the rebate, which is July 1, 2024 through December 31, 2025. The bill is anticipated to decrease SGF revenues by an indeterminable amount, possibly many millions, depending on actual program uptake.

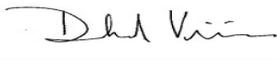
The bill allows for a rebate on state sales tax paid on all equipment, machinery, materials, improvements, and other items purchased for use in Louisiana in connection with the development, production, operation, storage, processing, or transportation of lithium or lithium refined products in connection with a qualified lithium recovery project (any recovery and processing project employing direct lithium extraction or any other processes or technology). The number of existing or potential firms that may qualify under this definition is uncertain, particularly those that will be developed, constructed or operated in LA, a vague designation presumably determined by LDR.

According to LED, there are currently no qualifying projects finalized in the state for lithium production, though there are several lithium related companies with pending package offerings. It is not clear how many companies may be enticed to evaluate, develop, or engage in production of a qualified lithium recovery project and make qualifying purchases in the state due to this rebate. Sales tax paid during the research and development phase of in-state qualified lithium recovery projects appears to qualify for the sales tax rebate. It is also unknown how many downstream lithium related companies may qualify under any other processes or technology and what associated sales tax paid might be.

According to LDR, the scope of the proposed rebate includes qualifying purchases in excess of existing programs, such as materials, improvements, storage, or transportation of lithium or lithium refined products. The purchases under this rebate also include but are not limited to items used in the initial development of the project, the drilling of all production, injection, and appraisal wells used in connection with the project. The bill appears to also allow for an expansion of rebates authorized in existing programs (ie, project facility expense rebate in Quality Jobs since sales tax is included in the rebate in this bill).

The fiscal note assumes rebates will be issued at the time of purchase, though actual issuance may occur in later years.

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| <p><u>Senate</u>      <u>Dual Referral Rules</u></p> <p><input checked="" type="checkbox"/> 13.5.1 &gt;= \$100,000 Annual Fiscal Cost {S &amp; H}</p> <p><input checked="" type="checkbox"/> 13.5.2 &gt;= \$500,000 Annual Tax or Fee Change {S &amp; H}</p> | <p><u>House</u></p> <p><input checked="" type="checkbox"/> 6.8(F)(1) &gt;= \$100,000 SGF Fiscal Cost {H &amp; S}</p> <p><input type="checkbox"/> 6.8(G) &gt;= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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