



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 268** SLS 24RS 509
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ HSE COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 6, 2024 2:22 PM **Author:** CATHEY
Dept./Agy.: Department of Revenue **Analyst:** Noah O'Dell
Subject: State Sales Tax Rebate for Purchases in Lithium Recovery

TAX/TAXATION RE1 DECREASE GF RV See Note Page 1 of 1
 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 total program cost is capped at \$100,000 throughout the 18 month life of the program. Stacking of other incentives is prohibited. 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.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	\$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

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

In the event a company qualifies and is subsequently approved for the sales tax rebate, LDR anticipates one time IT implementation costs approximated to be \$51,360. Due to the nature of the program, review requirements, and complexity of items that may qualify, LDR anticipates the need for one additional Revenue Tax Specialist 1 at cost of \$89,515 for salaries and benefits. The Legislative Fiscal Office (LFO) cannot corroborate the need for an additional employee due to the limited number of rebates expected to be issued and anticipates any additional resources needed will be absorbable by LDR.

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 with a maximum exposure of \$100,000 during the 18 month life of the program.

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. The program cost is capped at \$100,000 during FY25 - FY26. The fiscal note assumes rebates will be issued at the time of purchase, though actual issuance may occur in later years. Taxpayers cannot claim the expenditure for any other incentive program.

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 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.

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.

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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