



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 404** HLS 25RS 780
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: **REVISED**

Date: April 14, 2025	8:24 PM	Author: WILLARD
Dept./Agy.: Department of Revenue		
Subject: Administrative Functions in the Department of Revenue		Analyst: Deborah Vivien

REVENUE DEPARTMENT OR DECREASE GF RV See Note Page 1 of 2
Provides relative to various tax administration functions of the Department of Revenue

Current law authorizes the state to charge interest on unpaid taxes and interest paid on refunds at various rates and deadlines. Proposed law lowers the rate the state charges for unpaid taxes by 3%, repeals interest on refunds to Direct Pay Numbers if sale is exempt, and changes the timing and rate of severance tax refunds for horizontal and deep wells. Current law sources sales tax transactions when possession transfers. Proposed law provides an exception for drop shipment sales in which the sourcing occurs at the first of the title transfer or transfer of possession. Current law authorizes the Office of Debt Recovery to access gaming winnings to collect delinquent debt. Proposed law adds sports wagering to the list of eligible gaming winnings that may be accessed. Proposed law removes obsolete language and amends several reporting requirements, including eliminating the parish and NAICS breakdowns in the Tax Exemption Budget as well as required committee hearings. Effective upon signature, except interest changes, which are effective July 1, 2025

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	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	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						


EXPENDITURE EXPLANATION
According to LDR, the requirements of the bill can be accommodated within the existing budget, including expansion of an annual ROI report to include return and ranking of all tax incentives in the state with a revenue loss of \$1 M or more, regardless of the administrating agency. LED is currently tasked with ROI reports for the same incentives and will redirect any resources that may have previously been committed to the mandatory tax incentive ROI reports to other duties within the agency. Interest paid by the state is not appropriated, thus rate changes will not impact expenditures.

REVENUE EXPLANATION
INTEREST - Effective July 1, 2025
For the interest referenced in the bill, payments by taxpayers are reported in the tax category to which the payment is related. Thus, any change to interest owed by taxpayers will impact the means of finance related to the tax category. Personal income tax and general sales tax primarily impact SGF*, corporate income tax impacts the Revenue Stabilization Trust Fund or SGF depending on CIT collections, etc.)

- The bill impacts interest in 3 ways:
- 1) Reduces the interest rate by 3% to 11.25% for interest paid to the state for unpaid taxes and paid by the state for refunds due (begins accruing after 90 days) The net interest collected by the state annually is about \$62 M which will be reduced by 21% (3%/14.25%) results in a net reduction in state revenue of an estimated \$13 M annually subject to changes in the judicial rate.
 - 2) Repeals interest paid by the state on sales tax refunds claimed by taxpayers with a Direct Payment Number on exempt purchases, which could increase state by about \$500,000 annually.
 - 3) Changes interest paid by the state on refunds from horizontal and deep water wells from 4.35% for 180 days with judicial interest thereafter to 0% for 90 days with judicial interest thereafter, which is the same as a regular refund. The impact will depend upon the timing and amount of the refund claims as the state will still pay interest but under a different structure.

The changes to interest paid by and owed to the state partially offset for the tax type impacted but appear to be a significant net reduction to SGF revenue, possibly more than \$10 M. Should more precise data become available on actual interest collections of each taxpayer category impacted by the bill, the fiscal note will be updated.
(Continued on Page 2)

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


Alan M. Boxberger
Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2
Revenue Explanation (continued)

DROP SHIPMENT SALES - Effective upon signature

Drop shipment sales could be sourced outside the state with language adopted during the 2024 Third Extraordinary Session. A drop shipment sale is a sale in which the seller takes the order from the buyer but a third party ships the good directly to the buyer. While most sales are sourced at the transfer of possession, the bill excepts the sourcing of drop shipment sales to the earlier of the transfer of title or the transfer of possession allowing sales in which only the title transfers in Louisiana to be sourced in the state. The bill reinstates within the same fiscal year a practice that has been in place for many years. There will be an indeterminable increase in SGF revenue as the official forecast is bound by current law, and this bill retroactively alters the sourcing of certain sales taxable transactions. Locals may not source these sales in the same manner leaving local impact unknown. It is not clear how this language may change the sourcing of sales through marketplace facilitators, which may or may not have a significant impact to state and local revenue. A portion of revenue generated from Procurement Processing Companies drop shipment sales is **dedicated to the Unfunded Accrued Liability Fund, which is where any increase in revenue would occur.**


OFFICE OF DEBT RECOVERY Access to Sports Bet Winnings - Effective upon signature

The bill authorizes access to sports bet winnings to recover debts referred to ODR in the same manner as other gaming winnings. To the extent that enforcement of debt recovery requires the state to access sports bet winnings after extinguishing all other means to recover the debt, ODR could collect an indeterminable amount of additional fees and funds to be distributed accordingly.

OTHER PROVISIONS - Effective upon signature

Other provisions of the bill repeal and adjust certain reporting requirements and repeal obsolete language that will not impact state or local revenue. Removal of parish and NAICS breakdowns from Tax Exemption Budget reporting are not expected to materially impact analytical capabilities, particularly as LDR reports that the information will continue to be available by request. Repealing mandatory, pre-fiscal session hearings in the tax committees for exemptions of \$10 M or more does not preclude the committees from requiring the same as an ad hoc review. The bill requires LDR to provide an annual Return on Investment analysis and ranking of all tax incentives with a revenue loss of \$1 M or more, regardless of administrating agency. The report will be required in addition to the tax incentive forecast presented by LDR at each REC meeting.

* The SGF impact may originate as the LDR retention of 1% of income and sales tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
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<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Alan M. Boxberger Legislative Fiscal Officer