

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 346** HLS 25RS 928
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: **REVISED**

Date: May 16, 2025	8:35 AM	Author: DESHOTEL
Dept./Agy.: Revenue		
Subject: Dedicates 5% telecommunications tax		Analyst: Deborah Vivien

FUNDS/FUNDING OR -\$37,000,000 GF RV See Note Page 1 of 1
To establish the Local Infrastructure Fund

Current law levies a 5% state sales tax on certain telecommunication services in addition to the current 5% state sales tax. The additional 5% sales tax became effective January 1, 2025, and is levied in lieu of local sales tax. Taxable services include all telecommunications services, cable television services, direct-to-home satellite services, video programming services and satellite digital audio radio services. Though current law directs the proceeds to a Local Revenue Fund, that fund is not created in law which leaves proceeds in the SGF.

Proposed law retains current law and dedicates the proceeds of the 5% telecommunications sales tax for local water and sewer systems without Water Sector Program grants and other infrastructure projects generalized in the bill that are under the jurisdiction of a parish or local governing authority. Proposed law creates the Local Infrastructure Fund for such purposes. Effective upon signature.

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
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						


REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION
Treasury requires certain resources to create and administer a statutory dedication, as in this bill. Should aggregate session action result in the creation of funds beyond that which can be absorbed within existing resources, additional funding may be required. The bill creates the Local Infrastructure Fund and provides that monies deposited into the fund shall be used for any of the following purposes: repair, improvement, and consolidation of community water and sewer systems that have not received a grant from the Water Sector Program; or repair and construction of roads, streets, and other infrastructure under the jurisdiction of local governmental units. House and Senate rules indicate that a dedication of \$100,000 or more in SGF is treated as a fiscal cost, which forms the basis for dual referral.

REVENUE EXPLANATION
The bill dedicates an additional 5% state tax on telecommunications services that has been in effect since January 1, 2025 and establishes the Local Revenue Fund to receive the proceeds, presumably beginning when the bill is signed. Once the proceeds from the new tax are recognized in the official forecast, which has not yet occurred, the following amounts are estimated to be deposited into the fund: \$42.8 M in FY 26, \$39.5 M in FY 27, \$36.5 M in FY 28, \$33.8 M in FY 29, and \$31.4 M in FY 30. The tax applies to a base that has historically been taxed (interstate and intrastate telecommunications) and a new base that was not previously taxed (cable television services, certain satellite services and video programming) which were estimated separately.

Historical collections of existing telecommunications sales tax have been declining by an average of about 10% annually over the last 5 years to about \$737 M in FY 24. Applying a 5% rate to the same taxable sales base would result in estimated tax collections of about \$33 M with outyear estimates reflect the declining collections trend.

For the newly taxable services, the state has received three months of observable remittances (sales tax is due by the 20th day of the following month). The data is uncertain with respect to full coverage of all affected dealers as they adjust to remitting on previously untaxed transactions. Current collections of newly taxable services implies taxable sales of about \$16 M per month, though the pattern of monthly collections indicates some adjustments may occur in the future as the taxation of these transactions becomes more routine. At \$16 M per month, a 5% sales tax would generate about \$9.6 M per year. Annual growth is speculative and not included in this estimate.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input 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