



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 45** SLS 25RS 5
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

| | | |
|---|---------|--------------------------------|
| Date: April 23, 2025 | 6:49 PM | Author: MCMATH |
| Dept./Agy.: Revenue | | |
| Subject: Sales/Use Motor Vehicle Tax Exemptions for Veterans | | Analyst: Mimi Blanchard |

TAX EXEMPTIONS EG DECREASE GF RV See Note Page 1 of 1

Exempts purchases of motor vehicles by certain veterans and their spouses from sales and use taxes and the vehicle registration and license tax. (7/1/25)

Current law levies state and local sales and use tax on motor vehicle purchases with rates based on the location of the registration. Current law requires vehicle registration and annual license fees on all motor vehicles operating on state highways.

Proposed law exempts honorably discharged veterans, retired veterans, and their spouses from state and local sales tax and from vehicle registration and license fees if the purchase or registration of a motor vehicle occurs within two years after the veteran's separation from service or retirement. The exemption does not apply to any specialty license plates which are not classified as military honor plates. Commercial vehicles used for commercial purposes are not eligible for the exemptions in the bill.

| EXPENDITURES | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 5 -YEAR TOTAL |
|----------------|-----------|---------|---------|---------|---------|---------------|
| State Gen. Fd. | SEE BELOW | \$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 |

| 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 | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

The taxes and fees being exempted by the bill are collected through the Office of Motor Vehicles who anticipates initial costs costs of about \$3,500 for coding and testing of the system alterations, which will be absorbed in the agency’s budget. The Department of Revenue could incur additional expenses related to the certification of eligible applicants.


REVENUE EXPLANATION

The fiscal impact of the proposed motor vehicle exemption for honorably discharged veterans, retired veterans, and their spouses will depend on the number of qualifying individuals who purchase vehicles within the two-year window of retirement or separation from service. While the exact number of vehicles eligible for the exemption cannot be determined at this time, the revenue loss will primarily affect SGF and local revenue. It is not clear if the bill will incentivize car purchases that otherwise would not have occurred.

To illustrate possible magnitude, a \$30,000 car would generate 5% or \$1,500 in state sales tax and \$1,530 in local sales tax, using an average local tax rate of 5.1%. Each car purchase eligible for the exemption could reduce state revenue by a similar amount, with sales tax fluctuating with the price of the vehicle. For sales tax, the impacted means of finance will either be SGF or statutory dedication depending on the year of the purchase for sales tax. For motor vehicle license and registration, the impact will be to statutory dedications.*

According to the Office of Motor Vehicles (OMV), there are approximately 81,200 vehicles currently registered with veteran license plates in Louisiana, although this cannot be attributed to any subsets of the veteran population such as honorably discharged or retirees. The Department of Veterans Affairs (DVA) reports 261,791 veteran residents in the Louisiana, however, the DVA does not maintain data specifically identifying honorably discharged or retired veterans within this population, nor does it collect information related to marital status.

* For FY 26 and FY 27, a flat rate of \$40 M from state sales tax on motor vehicles is deposited into the Transportation Trust Fund (TTF) - Construction Subfund, with any excess deposited to the SGF. In FY 28 and beyond, 60% of motor vehicle sales tax is dedicated to the fund. Additionally, license and registration fees are dedicated to the TTF, State Highway Improvement Fund, and Highway Fund Number 2 depending on the location and/or type of vehicle.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |  |
| <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 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} | Deborah Vivien Chief Economist |