



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 578** HLS 25RS 714

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2025	11:56 AM	Author: EMERSON
Dept./Agy.: Revenue		
Subject: Sales Tax corrections from Act 11 of 2025 ES3		Analyst: Mimi Blanchard

TAX/SALES & USE

EG DECREASE GF RV See Note

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Provides with respect to state and local sales and use taxes and exemptions to those taxes

Current law imposes state and local sales taxes on tangible personal property and digital products at rates of 2%, 1%, 1%, and 1%, respectively, with 0.3% of the 1% state tax allocated to tourism. Act 11 of 2024 ES3 increased the sales tax rate, broadened the base and revised the order and location of many areas of sales tax law. Current law allows a local option to exempt from sales tax certain transactions. Current law mandates the taxation of fair market value for complimentary rooms at the state and local level.

Proposed law retroactively adjusts the dedication to the Tourism Promotion District to match the 0.03% levy in place prior to Act 11. Proposed law retroactively adjusts various legal citations to align with LDR interpretations of intent when Act 11 was enacted by reinstating certain state and local exemptions that were repealed in Act 11. Proposed law retroactively makes certain local exemptions mandatory that were optional prior to their repeal in Act 11. Proposed law reinstates certain state and local exemptions to pre-Act 11 status. Retroactive provisions effective to January 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	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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

LDR may incur expenses or \$52,750 related to administrative requirements. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

The bill adjusts the dedication for the Tourism Promotion District (TPD) to 3% of 1% of sales tax collections, which is the same rate of the TPD levy prior to Act 11. Once effective, the TPD dedication will receive about \$14 M from the SGF. 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 aligns citations and law with interpreted intent concerning state and local sales taxation. In some instances, Act 11 of 24 ES3 altered the sales tax base, which has been in effect since 1/1/25, or for two months of remittances: March and April receipts (January activity is due February 20 which is reported in March). LDR reports collections as interpreted, not necessarily as written, so LDR collections may not reflect the underlying statutory authorizations and, thus, the expected fiscal impacts. The bill retroactively changes law to match the LDR interpretation and collection, though LFO has not been able to verify that all statutory references are now intact and in keeping with legislative intent.

The official forecast of December 19, 2024, being bound by current law, is expected to have incorporated estimates of the state impacts of Act 11 as written. Changes in the bill should alter those forecast assumptions. However, changes to the forecast that will be made due to the bill are speculative as the current forecast does not include a detailed breakdown of 2024 ES3 adjustments. As additional relevant information is made available, the fiscal note may be updated.

The bill adjusts the dedication for the Tourism Promotion District (TPD) to 3% of 1% of sales tax collections, which is the same rate of the TPD levy prior to Act 11. Once effective, the TPD dedication will receive about \$14 M from the SGF, which is the reason for the increase in the dedication line of the table above.

The revenue table above indicates a decrease of SGF, SGR and Local as transactions that were taxable under Act 11 become exempt in the bill. A decrease in SGR refers to the LDR retention of 1% of income and sales tax collections which ultimately may revert to the SGF for use in the budget.

<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 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}	<div>Deborah Vivien Chief Economist</div>