



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 523** HLS 25RS 376  
Bill Text Version: **ENGROSSED**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> April 27, 2025	3:03 PM	<b>Author:</b> ROMERO
<b>Dept./Agy.:</b> Department of Revenue / LULSTB / Remote Sellers		<b>Analyst:</b> Noah O'Dell
<b>Subject:</b> Vendor's Compensation for State and Local Sales & Use Tax		

TAX/SALES & USE EG DECREASE LF RV See Note Page 1 of 1  
Authorizes municipalities to compensate dealers for accounting for and remitting local sales taxes

Current law provides dealers compensation at a rate of 1.05% on the four-fifths of the amount of state sales tax due in the form of a deduction for the timely reporting and payment of sales tax owed, yielding an effective deduction rate of 0.84%. State vendors compensation is limited to \$750 per dealer per month. Current law authorizes municipalities to pay compensation to their sales tax dealers in amounts designated by the governing body of the municipality.

Proposed law mandates dealers compensation at a rate of 0.84% for all state and local taxing authorities on the amount of sales tax due in the form of a deduction for the timely reporting and payment of sales tax owed. The deduction the local level is limited to \$750 per dealer per month in each parish, to mirror the state's limit per dealer. The Uniform Local Sales Tax Board and the Remote Sellers Commission are mandated to include the vendor's compensation deduction in the respective remittance systems. Applicable to tax periods on or after 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	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<b>INCREASE</b>	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	<b>(\$40,000)</b>	<b>(\$40,000)</b>	<b>(\$40,000)</b>	<b>(\$40,000)</b>	<b>\$710,000</b>	<b>\$550,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**  
The Uniform Local Sales Tax Board (ULSTB), and Remote Sellers Commission should be able to accomplish the reinstatement of vendor's compensation back into the returns and remittance systems with minimal costs. According to LA Tax Administrators Association (LATA), local taxing authorities are anticipated to experience an indeterminable increase in expenditures associated with tax system upgrades to accomplish the \$750 limit per dealer per month. This fiscal note assumes the average cost for system modifications and testing is at least \$2,000 per parish.

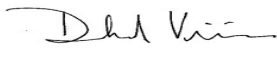
**REVENUE EXPLANATION**  
State General Fund Revenue Impact: The current effective rate for the state's vendor compensation for general sales tax is 0.84% because a 1.05% deduction is applied to four out of the five percent sales and use taxes levied. The bill applies vendor's compensation to all 5% of sales tax levied at a rate of 0.84%. This is anticipated to adjust the vendor's compensation beginning in FY26 for a few tax streams, due to varying effective tax rates. LDR reports that vendor's compensation for automobile rental and direct marketer collections is collectively anticipated to decrease by approximately \$20,000, increasing SGF revenue by an equal amount each FY. Vendor's compensation for New Orleans Hotel/Motel sales tax is anticipated to increase by approximately \$60,000, decreasing SGF revenue by an equal amount each FY. These two effects weighed against one another are anticipated to result in SGF revenue loss of about \$40,000 each FY.

The effective rate for vendor's compensation provided on the state's sales and use tax collections is set to adjust on January 1, 2030 to 0.88% due to the decrease in the state sales tax rate to 4.75% provided in current law. Therefore, the bill is anticipated to decrease the amount vendors receive from the state beginning in FY30 and increasing SGF revenue by a corresponding amount. LFO estimates SGF revenue is anticipated to increase by \$750,000 in FY30 due to a half-year of implementation. The estimated revenue loss for years outside of the fiscal note horizon window is estimated to be \$1.5M.

Local Revenue Impact: Act 11 of the 2024 ES3 repealed provisions of law related to the ability of local taxing authorities, except for municipalities, to provide vendor's compensation for the timely filing and payment of local sales taxes. The bill mandates vendor's compensation to dealers for the timely filing and payment of local sales taxes at the same rate (0.84%) as the state, along with a \$750 limit for dealer's in each parish to mirror the state's vendor's compensation limit.

The bill is anticipated to reduce aggregate local tax revenues by tens of millions of dollars beginning in FY26. Calculating the exact impact of the bill is complicated by the fact that only certain taxing authorities are currently providing vendor's compensation by an amount determined by the governing body of the respective authority. For informational purposes, the Department of Revenue's Tax Exemption Budget for 2024-2025 projects revenue loss of \$30.6M in FY26 associated with the vendor's compensation provided to dealers for state sales and use tax.

<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 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}	

  
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