



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 334** HLS 25RS 881
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 5, 2025	10:46 PM	Author: TARVER, PHILLIP
Dept./Agy.: Revenue		
Subject: Repealing the 1% Sale/Use Tax Levy under R.S. 47:321.1		Analyst: Mimi Blanchard

TAX/SALES & USE OR DECREASE GF RV See Note Page 1 of 1
Repeals one percent of the state sales and use tax levy

Current law provides for a 1% levy of sales and use tax under R.S. 47:321.1, set to reduce to .75% beginning January 1, 2030.

Proposed law repeals the entirety of the 1% levy under R.S. 47:321.1, resulting in an immediate reduction of state sales tax from 5% to 4% beginning July 1, 2025.

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.	SEE BELOW	\$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.	(\$1,107,300,000)	(\$1,128,100,000)	(\$1,062,400,000)	(\$1,074,500,000)	(\$809,600,000)	(\$5,181,900,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	(\$78,300,000)	(\$78,600,000)	(\$62,430,000)	(\$219,330,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$1,107,300,000)	(\$1,128,100,000)	(\$1,140,700,000)	(\$1,153,100,000)	(\$872,030,000)	(\$5,401,230,000)

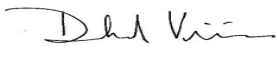
EXPENDITURE EXPLANATION
Based on previous reports by Louisiana Department of Revenue (LDR), LFO anticipates one-time costs of \$52,750 associated with updating tax forms, instructions, and processing systems to account for the new tax rate. Actual costs may be higher or lower, and LFO will update this estimate upon receipt of official information from LDR.

REVENUE EXPLANATION
The 1% state sales tax levy under R.S. 47:321.1 is currently permanent and part of the 5% total state rate. Under current law, this levy is scheduled to decrease to 0.75% on January 1, 2030, reducing the state rate to 4.75%. The bill will repeal the 1% levy in its entirety effective July 1, 2025, thereby lowering the state sales tax rate from 5% to 4% beginning in FY 26.

With this change, SGF revenue will decrease by an estimated \$1,107.3M in FY 26, \$1,128.1M in FY 27, \$1,062.4M in FY 28, and \$1,074.5M in FY 29, based on the 12/9/2024 REC forecast for the 1% levy. The FY 30 reduction is estimated at \$809.6M, applying the average annual growth rate observed from FY 26 through FY 29 and adjusting for the fact that the levy would have otherwise decreased to 0.75% under current law. The total SGF reduction across FY 26 through FY 30 is approximately \$5.2B. Any significant changes to the REC forecast could materially impact these estimates.

The dedication to the Transportation Trust Fund, Construction Subfund, is not expected to decrease in FY 26 or FY 27 due to current law provisions guaranteeing a fixed transfer of \$40M in each of those years. Beginning in FY 28, the Construction Subfund will resume receiving 60% of state sales tax collections on motor vehicles, and the repeal of the 1% levy is expected to reduce these dedicated funds by approximately \$78.3M in FY 28, \$78.6M in FY 29, and \$62.4 M in FY 30. The FY 30 estimate is based on the projected growth from prior years, adjusted to reflect the 0.75% levy that would have applied under current law. The total Construction Subfund reduction across FY 26 through FY 30 is approximately \$219.3M. Any significant changes to the REC forecast could materially impact these estimates.

Several adjustments are made to the base REC forecast for purposes of this note. Business utilities are not subject to the 1% levy under R.S. 47:321.1 and are removed from the REC base estimate using the figures in the 2024 Tax Exemption Budget, growing by 2% in the out years. Dedications to the LED Fund and the 0.03% Tourism Promotion District levy are also removed from the REC base as neither are related to the 1% levy. Hotel room rentals are subject to the full 5% permanent state tax rate but not the 1% levy being repealed; accordingly, these transactions are excluded from the SGF impact estimate, as the associated revenue is dedicated to local tourism and convention funding.

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