



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 229** HLS 25RS 835
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|--|---------|--------------------------------|
| Date: May 7, 2025 | 4:26 PM | Author: MCCORMICK |
| Dept./Agy.: Revenue | | Analyst: Mimi Blanchard |
| Subject: Sales/Use Local Sales Tax Exemptions - Food & Beverage | | |

TAX/SALES-USE, LOCAL-EXEM OR DECREASE LF RV See Note Page 1 of 1
 Exempts certain foods and beverages from local sales tax

Current law exempts food sold for home consumption, including bakery products, dairy products, soft drinks, fresh fruits and vegetables, and packaged foods requiring further preparation by the purchaser, from state sales and use tax.

Proposed law retains current law and expands the exemption for home consumption, including bakery products, dairy products, soft drinks, fresh fruits and vegetables, and packaged foods requiring further preparation by the purchaser to local sales and use tax.

Effective August 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 | \$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 | \$0 |

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

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The proposed legislation mandates a local sales and use tax exemption on food for home consumption, including bakery products, dairy products, soft drinks, fresh fruits and vegetables, and packaged foods requiring further preparation. This exemption is anticipated to reduce statewide local sales tax revenue by hundreds of millions of dollars annually. Though actual local impacts will vary based on taxing regimes in place, both LATA and LFO estimate the annual local revenue loss ranges from \$600 M to \$700 M per year statewide. Given the inelastic demand for groceries, most jurisdictions are expected to experience significant revenue reductions beginning in the first year of effectiveness.

The Louisiana Association of Tax Administrators (LATA) calculated the potential impact using the FY 22 and FY 23 Tax Exemption Budget (TEB), applying a 6.23% annual growth rate for food for home consumption to the FY 23 exemption amount of \$584.5 M and assuming an average local tax rate of 5.1%. The Legislative Fiscal Office (LFO) calculated the potential impact using the FY 24 and FY 25 TEB, applying a 3.3% annual growth rate (averaged across FY 22 - FY 24 actuals and FY 25 - FY 26 predicted values) for food for home consumption to the FY 26 exemption amount of \$625.2 M and assuming an average local tax rate of 4.9%.

Note: The state-level sales tax exemption for bakery products sold in facilities that furnish dining space (e.g., bakeries and donut shops) is currently suspended through June 30, 2025. Under the bill, these transactions will become exempt from local sales tax upon the bill's effective date but will remain subject to state sales tax until the suspension expires.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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