

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 225** HLS 07RS 18
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2007	6:02 PM	Author: ST. GERMAIN
Dept./Agy.: Revenue		Analyst: Charley Rome
Subject: Annual Sales Tax Holiday for Hurricane Preparedness Items		

TAX/SALES-USE-EXEMPT OR DECREASE GF RV See Note Page 1 of 1
 Authorizes an annual "sales tax holiday" for the purchase of certain hurricane-preparedness items or supplies

Proposed law provides for an annual "sales tax holiday" from Friday through Sunday during the last weekend of May each year. The proposed holiday includes both state and local sales and use taxes on the purchase of certain hurricane-preparedness items or supplies. Proposed law defines "hurricane-preparedness items or supplies" as any of the following: (1) portable self-powered light sources. (2) portable self-powered radios. (3) tarpaulins or covers. (4) ground anchor systems or tie-down kits (5) gas or diesel fuel tanks. (6) batteries, excluding automobile and boat batteries. (7) cell phone batteries and chargers. (8) nonelectric food storage coolers. (9) portable generators. (10) "storm shutter devices". (11) carbon monoxide detectors. (12) blue ice products. Proposed law prohibits supplies purchased at airports, public lodging establishments, and entertainment complexes. Proposed law provides for the tax treatment of exempt items sold in sets, promotional sales, exchanges, layaways, rainchecks, and rebates. Effective upon governor's signature.

EXPENDITURES	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>5 -YEAR TOTAL</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The proposed legislation will decrease state and local revenues from sales taxes by unknown amounts in Fiscal Year 2007-08 and thereafter.

As a model of the potential revenue loss, the Legislative Fiscal Office looks to analysis done by the Department of Revenue after the 2005 sales tax holiday (three days in December 2005 authorized by Acts 9 of the 2005 1st Ex Session). That analysis estimated that state sales tax revenues were reduced by approximately \$11-\$12 million during the three-day holiday. The sales tax holiday in 2005 was different from this bill in some important areas. The sales tax holiday in 2005 applied to the first \$2,500 of the sales or cost price of consumer purchases of tangible personal property. The lack of this limitation in this bill might increase the potential revenue losses to state and local governments compared to the 2005 holiday. However, much of the 2005 purchases were likely well below that \$2,500 amount. Furthermore, this bill limits purchases to specific hurricane preparedness items. This limitation in the proposed bill would likely decrease the potential revenue losses to state and local governments compared to the 2005 sales tax holiday. Additionally, the 2005 sales tax holiday allowed sales tax exemptions for certain businesses located in a Hurricane Katrina or Hurricane Rita areas, provided that the businesses received a Sales Tax Holiday Exemption Certificate. This bill has no such provisions. The revenue loss associated with the business purchase provision in the 2005 holiday was estimated by the Louisiana Department of Revenue to total approximately \$3 million.

The 2005 holiday cost, adjusted for business purchases, of approximately \$9 million is taken as a reasonable rough estimate of the upper bound state revenue loss of the tax holiday proposed by this bill, assuming adequate compliance/enforcement provisions. Local revenue losses will be comparable to state losses. It should be noted, however, that it will likely be a difficult task for the Department of Revenue to adequately enforce compliance with the bill's provisions concerning the type of items eligible for exemption. Thus, actual revenue losses could be greater than would be the case under strict compliance and enforcement.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
Chief Economist