

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 207** HLS 15RS 6
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Exempts bakery products purchased with SNAP		

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 Specifies the types of bakery products exempt from state sales and use tax

Current law exempts food for home consumption, including bakery products, from the 4% state sales tax. This exemption is constitutional and defined by statute as it stands on January 1, 2003 as "food sold for preparation and consumption in the home including by way of extension and not of limitation bakery products." Additionally, any purchases by the federal government, including purchases using federal benefits, such as SNAP or food stamp benefits, are exempt from state sales tax.

Proposed law changes the statute that is referenced in the Constitutional exemption of food for home consumption. The bill appears to limit the state sales tax exemption for bakery products to include only bakery items eligible for purchase with SNAP or federal food stamp benefits, regardless of where they are purchased. Effective upon signature.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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>	\$0
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Note: Art VII, Sec 2.2(A)(1) of the Constitution cites the statute being amended in this bill as the definition of food for home consumption but only as it stood on January 1, 2003. To effectively change the definition, a Constitutional Amendment may be required.

This bill attempts to allow bakery products to have the same sales tax status, regardless of where the purchase is made. For instance, if a vendor offers bakery products to consume in the store and over the counter, the same taxation would apply to all bakery sales in that establishment, as long as the items are SNAP eligible.

To the extent it is successful in changing the definition, the bill will decrease SGF revenue to the extent that bakery products previously taxed as food for consumption on premises are now exempt as food for home consumption. Any item purchased with SNAP or food stamp benefits was exempt prior to the bill and will remain so under this bill.

The Census Bureau within the Department of Commerce estimated in the Annual Survey of Manufactures that 2013 value-added bakery shipments (NAICS code 3118) in LA were \$211M. If all shipments were subject to state sales tax and are now exempt, the SGF would decrease by \$8.4M annually. Without a specific source estimating bakery items purchased for consumption on premises, a magnitude cannot be determined with certainty. However, assuming the bakery value-added estimate is representative of the state's bakery market, if 75% of LA bakery purchases are for on-site consumption and now exempt, the SGF would decrease by \$6.3M. If half of purchases are now taxable, the SGF would decrease by \$4.2M. Finally, if 25% of purchases are now exempt, the SGF would decrease by \$2.1M.

It is not clear whether limiting the exemption to SNAP eligibility further limits the definition of bakery item. This bill assumes all bakery items are eligible for SNAP.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} | |
| <input 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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