LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HCR 51** HLS 15RS 1371
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 7, 2015 3:45 PM
Author: SHADOIN
Dept./Agy.: Revenue
Subject: Suspends Business Utilities exemptions from 4% for 1 year
Analyst: Deborah Vivien

TAX/SALES & USE OR +$428,600,000 GF RV See Note
Suspends the state sales and use tax exemption for business utilities

Current law exempts from 4% state sales tax the purchase of electricity, steam and water by industrial users (business utilities).

Proposed law suspends the exemptions on business utilities for 3.97% of state sales and use tax imposed by R.S. 47:302, 321, and 331. The suspension also includes exemptions to taxes imposed by the Tourism Promotion District of 0.03%.

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	$0	$0	$0	$0	$0	**$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.	$421,400,000	$0	$0	$0	$0	**$421,400,000**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$7,200,000	$0	$0	$0	$0	**$7,200,000**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$428,600,000**	**$0**	**$0**	**$0**	**$0**	**$428,600,000**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The Department of Revenue data indicates that the bill will increase SGF revenue by about $428M in FY 16 by suspending exemptions on a 4% sales tax rate on business utilities. The figures are from the Tax Exemption Budget (TEB), which increases actual FY 14 exemptions by 2% to estimate FY 16, though total sales tax remittances did not grow as fast. In addition, about $4M was subtracted from the total to allow for vendors compensation payments (0.935% of sales tax remitted) and $3.2M for the Tourism and Promotion District levy, which is 3% of the portion of the state sales tax referenced by the bill for a net SGF impact of about $421M.

	Business Utilities, Water and Steam	$428,604,000
less:	Tourism Promotion District Levy	(3,214,530)
	Additional Vendor's Compensation	(4,007,447)
	Expected Annual SGF impact (rounded)	$421,400,000

Collections are likely to be low in the first month or two of this suspension, then ramp up as compliance improves. A material portion of what is foregone at the beginning of the fiscal year will be recouped in the accrual period at the end of the fiscal year.

Senate — Dual Referral Rules — House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist