

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 673** HLS 17RS 1222

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 24, 2017	11:54 AM	Author: STOKES
Dept./Agy.: REVENUE		Analyst: Benjamin Vincent
Subject: Sales Tax: Streamlining Various Provisions		

TAX/SALES-USE RE SEE FISC NOTE GF RV See Note Page 1 of 2
Amends, reenacts, or repeals various sales and use tax statutes. Enacts new exemption and refund statutes.

Current law imposes a tax on the sale, use, lease, or rental of tangible personal property and sale of certain services at various rates, and provides for exemptions and exclusions of various amounts.

Proposed law repeals approximately numerous state and numerous local sales tax statutes. Some are reenacted as exemptions or refunds, and some reenacted exemptions have broader language for the purpose of consolidation. The bill also enacts several new refund statutes, and expands several exemptions to local taxing authorities. The proposed refund statutes allow local authorities to opt out of refunds for local sales tax paid.

Effective July 1, 2018.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

LA Dept. of Revenue (LDR) anticipates 3 additional positions for administering the increased number of refund claims and filed returns due to proposed law. LDR notes that certain provisions could result in a substantial increase in filings, due to refund claims for transactions that previously would have been made using exemption certificates.

An expenditure impact of \$209,000 per year reflects the cost of the additional positions using the average salary and benefits of a Revenue Tax Specialist. Additionally, LDR anticipates costs incurred associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time (\$52,000 in this case).

REVENUE EXPLANATION

Proposed law would repeal numerous exemptions and exclusions, reenact most of them as refunds or exemptions, reenact some of them as exemptions with broader language, extend some exemptions to local taxing authorities, and enact some new refunds. All provisions are effective July 1, 2018.

Exemptions/exclusions that are repealed without replacement will increase revenue, while exemptions that are replaced or consolidated will tend to reduce revenue or have no impact. Revenue gains due to certain provisions will be offset to an unknown extent by losses due to other provisions. Thus, proposed law may cause either an increase or decrease to general fund, dedicated, and local fund revenues.

Repealed exemptions re-enacted with broader language and local applicability will result in a revenue loss of unknown size (the provision with the highest potential cost is described on page 2). Repealed exemptions that are not replaced will increase revenues by approximately \$3 million in FY19. Repealed exemptions that are reenacted as refunds will have a net impact of approximately \$0 to the general fund and dedications. As local authorities would be able to opt out of certain refund provisions, the impact on local funds of these provisions is unknown.

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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CONTINUED EXPLANATION from page one:

The largest expanded exemption that is expected to reduce revenue is the exemption on already-existing fixed-fee and maximum-price construction contracts from increased sales tax rates. This provision would exempt these contracts from the increased rate, relative to current law, from any potential sales tax rate increases or expansions of the base to relevant services.

This provision is identical to HB264. The fiscal note for HB264 estimates a revenue decrease of unknown size, but points out that if the provision had applied to the April 2016 tax rate increase, it would have resulted in a maximum exposure to state revenue of \$37 million, if all of these contracts were affected by the bill. General fund revenues would be exposed to a similar loss due to this provision in the event of a future tax increase.

Senate Dual Referral Rules

- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
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