



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 57** HLS 19RS 98
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 19, 2019 2:10 PM	Author: MAGEE
Dept./Agy.: Revenue / Local Governments	Analyst: Benjamin Vincent
Subject: Sales and Use Tax: Centralized Collection for Local Taxes	

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 (Constitutional Amendment) Authorizes the legislature to provide by law for the collection of all sales and use taxes imposed by any taxing authority in the state

Proposed law provides for a constitutional amendment that authorizes the legislature to enact centralized collection of sales and use taxes for all taxing authorities within the state, and requires prompt remittance to the single collector of each parish for distribution within each parish. Local taxes collected shall not be commingled with state funds.

Effective January 1, 2021, upon adoption of this constitutional amendment presented to the voters at a statewide election on October 12, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Annual Total	\$0					\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

This note assumes that the state Dept of Revenue (LDR) will assume the full responsibility of centralized collection that is contemplated by proposed law, including collection, auditing, legal interpretation and administration, and enforcement. The additional expenditures resulting from this expansion of responsibility would presumably be offset by a portion of the local tax collections. Actual costs and how they are financed would largely depend on the enabling legislation required by the amendment, as well as any cooperative agreements between the state LDR and local collectors.

The bill seems to contemplate centralized collections as of January 1, 2021, which would require enabling legislation in the 2020 session, and initial costs occurring in the first half of FY21 before the January 2021 start date. The LFO assumes that additional state general fund expenditures would be required in FY21 to prepare for centralized collections. If collections fees do not fully offset the expenditures associated with the centralized collection system in years beyond the start of collections, additional general fund expenditures in those years would be required.

Additional LDR responsibilities would require additional personnel in several LDR divisions, including: Revenue Processing, Business Tax Enforcement, Financial Services, Customer Services, Policy, Public Affairs, Taxpayer Compliance, Field Audit, Legal, and Audit Review and Appeals. Also, additional services by Office of Technological Services (OTS) would be required. An initial estimate of 29 positions and OTS requirements, results in an initial cost of approximately \$4 mil in FY21 to prepare for an effective date of January 1, 2021, and an annual cost of approximately \$7 mil per year upon full ramp-up of LDR responsibilities.

Presumably, local expenditures associated with tax collection would decrease, beginning in FY21, although costs associated with distribution of collections remitted by the state would still be incurred. Actual local cost changes would largely depend on the enabling legislation, as well as any cooperative agreements between the state LDR and local collectors.

REVENUE EXPLANATION

Assuming state collection fees associated with local tax collection, LDR self-generated revenue would increase as implementation of collections proceeds in FY21, and net local receipts remitted back by LDR would be lower than otherwise (local collection costs should also be lower). Actual local revenue changes would largely depend on the enabling legislation, as well as any cooperative agreements between the state LDR and local collectors.

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