



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 5** HLS 21RS 29
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 24, 2021 2:52 PM	Author: RISER
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Annual Sales Tax Holiday	

TAX/SALES-USE-EXEMPT OR -\$4,200,000 GF RV See Note Page 1 of 1
 Provides for the effectiveness of the Annual Louisiana Sales Tax Holiday

Present law suspends certain state and local sales and use tax exemptions, subjecting purchases during the Annual Louisiana Sales Tax Holiday (R.S. 47:305:54) to the full 4.45% state-level tax rate through July 1, 2025, at which time these purchases will become fully exempt. The holiday, when effective, is held the first consecutive Friday and Saturday each August, and exempts the first \$2,500 of certain consumer purchases of tangible personal property. Eligible purchases exclude vehicles subject to license and title, and meals furnished for consumption on the premises, including to-go orders.

Proposed law provides that the exemptions under the Annual Louisiana Sales Tax holiday would be reinstated, and fully exempt from the total rate of 4.45% of state sales and use tax. Proposed law additionally repeals the statutory exemption for the one-time sales tax holiday in November 2020 (R.S. 47:305:74). Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	(\$4,200,000)	(\$4,200,000)	(\$4,200,000)	(\$4,200,000)	\$0	(\$16,800,000)
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	(\$4,200,000)	(\$4,200,000)	(\$4,200,000)	(\$4,200,000)	\$0	(\$16,800,000)

EXPENDITURE EXPLANATION

LDR reports that modifying the current set of suspended exemptions will require minor expenditures for tax return form redesign, and for computer system modification, development, and testing.

REVENUE EXPLANATION

Proposed law provides that the suspended August sales tax holiday in R.S. 47:305.54 would be reinstated, and that these purchases would be fully exempt from state sales and use tax.

As sales tax data reported for sales tax holidays has fluctuated significantly in recent years, the estimate of the impact of proposed law is based on a multi-year average of recent sales tax holiday data. Estimated sales associated with this sales tax holiday totals approximately \$95 million per year, implying a state revenue loss of \$4.2 mil per year at a 4.45% tax rate.

The state revenue loss is depicted as entirely state general fund in the table above, but small amounts of loss (roughly 1% of the total) will occur to the Tourism Promotion District allocation and economic development dedications, as well.

Current law provides that the exemption will permanently regain effectiveness in FY26. Thus, proposed law would have no revenue impact in FY26 or in any following year.

While sales tax holidays may change the timing of purchases from taxable days to tax-exempt days around the holiday period, they are not likely to materially change the overall level of annual spending. Thus, their effect is a loss of tax receipts.

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}

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist