

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 539** HLS 21RS 754

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2021	10:29 AM	Author: CORMIER
Dept./Agy.: Department of Revenue and Office of Financial Institutions		Analyst: Monique Appeaning
Subject: Money Transmission Tax		

TAX OR +\$30,000,000 SD RV See Note Page 1 of 1
Imposes a tax on the transmission of certain money and creates a special fund for the disposition of the avails of the tax

Proposed law creates a money transmission tax. This tax is levied upon the transmission of money through any person licensed by the Office of Financial Institutions to engage in the business of money transmission as defined in present law, and all persons not required to be licensed pursuant to the provisions of present law who engage in the business of money transmission. Provides that this tax shall apply only to money transmission into Louisiana or from Louisiana to locations outside the continental borders of the United States. The tax is payable by the customer who engages a transmitter for the transmission of money. The tax shall be collected at the time of payment for the transaction, and shall be remitted to the state. The amount of tax due to the state shall equal 2% of the amount of money transmitted in each transaction. The tax levied shall be remitted quarterly to the Department of Revenue (LDR). Provides enforcement provisions to LDR for noncompliance. Provides for claims against surety bonds of the transmitter for the state. Authorizes the Department of Justice (DOJ) to assist LDR in conducting audits and in the prosecution and seeking of legal remedies to ensure compliance. Creates the Louisiana Teacher's Salary Support Fund to receive these tax proceeds, and provides that the fund shall be allocated and appropriated each year solely to provide pay raises for certified teachers who teach in grades kindergarten through twelve at a public school. Effective July 1, 2021.

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	SEE BELOW					
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						
REVENUES	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	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$150,000,000
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	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$150,000,000

EXPENDITURE EXPLANATION

Proposed law will likely result in an increase in SGF expenditures in LDR for programming, testing, and system development costs of approximately \$40,000 to add a new tax to LDR's tax collection system and identify and notify affected taxpayers.

Creating a new statutory dedication within the state treasury will result in a marginal workload increase for the Department of Treasury, which can generally be absorbed within existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be additional material costs associated with the aggregate effort to administer these funds.

DOJ reports that there will be not a fiscal impact to the department as as a result of the implementation of proposed law.

REVENUE EXPLANATION

Proposed law will result in an indeterminable increase in revenue. The amount of tax due to the state shall equal 2% of the amount of money transmitted in each transaction. The tax levied shall be remitted quarterly to the Louisiana Department of Revenue (LDR), to be deposited into the Louisiana Teacher's Salary Support Fund.

The Office of Financial Institutions (OFI) reports that it currently licenses 120 money transmitters. Each licensee must file an online Money Services Business Call Report quarterly. The report includes information regarding the dollar amount received for transmission (outbound) from in-state to Foreign Countries. Based on the information reported in 2019 and 2020, the average annual amount of outbound money transmission was some \$1.506 billion. The bill's 2% tax would generate some \$30 million per year in tax revenue from that base.

The bill also appears to levy the tax on money transmission into the state (from national to international locations). Thus, the tax base and potential tax revenue collections could be materially greater than estimated above. It is also possible that a tax levy may induce some money transmission to attempt to circumvent the currently licensed network and mechanisms, resulting less revenue than estimated above.

First year collections may be lower as the new levy is implemented.

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