

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 514** HLS 21RS 586
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 12, 2021 5:59 PM	Author: MAGEE
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Sales Tax: Marijuana Recommended for Therapeutic Use	

TAX/SALES & USE RE1 INCREASE SD RV See Note Page 1 of 1
 Levies a state tax on raw or crude marijuana recommended for therapeutic use and provides for the disposition of the collections of the tax

Proposed law removes the state sales tax exclusion on sales of raw or crude marijuana recommended for therapeutic use, and dedicates 50% of the avails to the Construction Subfund of the Transportation Trust Fund, 25% to the Louisiana Early Childhood Education Fund, and 25% to the Louisiana Public Defender Board. Current law provides that the taxable activity in proposed law is currently illegal.

Proposed law is effective contingent upon the enactment and effectiveness of House Bill 391 of the 2021 Regular Session, which proposes legalizing the activity with an effective date of January 1, 2022.

The fiscal note thus assumes an effective date of January 1, 2022.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

LDR anticipates a necessary expenditure of approximately \$103,000 of staff time for tax form modification, system programming, and system development due to proposed law.

REVENUE EXPLANATION

Current law provides that sales tax revenues combined 4.42% applied by the R.S. 47:302, 47:321, 47:321.1, and 47:331 levies go entirely to the general fund, except for 0.4% which is diverted to the LED Marketing Fund. Current law additionally directs the 0.03% levied by R.S. 51:1286 to the Tourism Promotion District Fund. For these purchases of therapeutic marijuana, proposed law fully dedicates the avails of all state levies on these purchases to the Construction Subfund.

Proposed law applies the full state sales and use tax rate of 4.45% to sales of raw or crude marijuana recommended for therapeutic use, and will increase dedicated revenues in the Construction Subfund, Early Childhood Education Fund, and Public Defender Fund.

For informational purposes, based on sales in states that have recently allowed these purchases and on industry market research estimates for the state, an estimate of approximately \$38 million in annual sales of raw or crude marijuana is anticipated initially, ramping up to \$276 million in sales over time. This estimate accounts for the state's limited network of eligible Louisiana retailers imposed by current law, which limits the maximum number of licensed dispensaries, and results in each existing dispensary covering between four and twelve parishes. Industry research estimates that this ramp-up would be achieved by FY26. In the event that this level of sales materialized, it would imply a dedicated revenue impact of approximately \$1.7 million initially, and \$12 million in FY26.

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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