



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 530** HLS 24RS 254
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: March 23, 2024 5:33 PM	Author: SCHAMERHORN
Dept./Agy.: Office of Motor Vehicles	Analyst: John McKay
Subject: Exempts certain vehicles from sales and use tax.	

MOTOR VEHICLES OR DECREASE LF RV See Note Page 1 of 1
 Exempts owners of certain vehicles from paying local sales and use tax under express circumstances

Present law provides for a credit against state and local sales and use taxes paid in another state for vehicles previously purchased and titled in states that have reciprocity agreements with Louisiana. Proposed law retains the provisions of present law and adds a provision that exempts owners of motor vehicles that were previously purchased and titled in another state from paying local sales and use taxes in Louisiana.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	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	2024-25	2025-26	2026-27	2027-28	2028-29	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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION
 There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION
Proposed law will result in an indeterminable, yet significant, decrease in local revenue as a result of exempting local sales and use tax on previously titled motor vehicles being imported and registered in the state. Under the provisions of this measure, assuming Louisiana’s combined sales tax rate remains the highest in the nation, a car titled in another state then transferred into Louisiana appears to be subject to a lower tax rate than one purchased and titled in the state. The revenue impact within a particular parish will depend on multiple variables, including: the number of vehicles registered in each parish, the value of the vehicle when it is registered in the state, and the tax rate within the parish.

Though OMV identifies local revenue losses of approximately \$8 M to \$10 M annually by the proposed law, the LFO has identified factors that indicate this does not represent the full revenue loss. For instance, OMV’s data presumably indicates an average of approximately 17,600 vehicles over the past three years were titled in Louisiana after previously being titled in other states. However, OMV’s data does not include vehicles from seven non-reciprocal states. Currently, migrants from these states pay the full local sales tax rate, which is higher on average than vehicles eligible for the credit. Additionally, the U.S. Census Bureau 2022 Migration Flows Report suggests a significantly higher number of vehicles would be expected beyond OMV’s reported data (see NOTE below). **The difference between estimates from OMV and the LFO suggests that limitations in OMV’s legacy database preclude identification of the full revenue loss, a high level of noncompliant migrants do not register their vehicle upon establishing residency, or a combination thereof.**

Note: Extrapolating vehicle registration data to a local impact has considerable data limitations, which lends uncertainty to these estimates, particularly when parsed to specific localities. According to Census estimates, as many as 106,000 individuals migrated to Louisiana in 2022. The Census assumes an average of 2.56 individuals per household in the state and estimates each household owns an average of 1.7 motor vehicles. When considering these metrics, a total of approximately 41,500 households moved to Louisiana in 2022. Thus, the LFO estimates the expected annual number of vehicles impacted by the proposed law is up to approximately 70,000.

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| Senate
<u>Dual Referral Rules</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | House
<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |
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Patrice Thomas
 Deputy Fiscal Officer