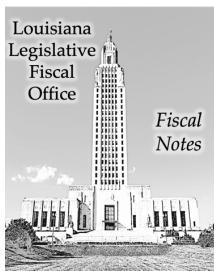


**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 10** HLS 243ES 14  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action: **w/ SEN COMM AMD**  
 Proposed Amd.:  
 Sub. Bill For.:

**Date:** November 20, 2024 3:43 PM **Author:** WRIGHT  
**Dept./Agy.:** Revenue **Analyst:** Benjamin Vincent  
**Subject:** Sales Tax Base Rewrite, 0.40% & Business Utilities Extension

TAX/SALES & USE RE1 +\$845,000,000 RV See Note Page 1 of 2  
 Provides for the rate of the state sales and use tax and provides for the exemptions, exclusions, credits, and rebates claimed against sales and use taxes (Item #8)  
Proposed law modifies certain sales tax base concepts, including "tangible personal property," "person," "sale at retail," and "cost price." Portions of existing statute are removed from sections providing exclusions, and portions are added/ enacted to sections providing exemptions. Proposed law requires certain exemption/ exclusions to be applied at the local level, while repealing certain exemption/ exclusions. Notable state-level provisions include: making R.S. 47:321.1 levy permanent at 0.4%, taxing certain nonresidential utilities to a permanent 2%, including digital products in the taxable base, expanding definitions of certain services, limiting monthly vendor's compensation to \$500, repealing certain exemptions, retaining certain constitutional exemptions in statute, repealing the R.S. 51:1286 0.03% levy while expanding the R.S. 47:331 0.97% levy to 1%, dedicating 3% of R.S. 47:331 to the LA Tourism Promotion District, and reducing the use tax on motor vehicles that applies to new Louisiana residents. Some notable items not subject to taxation in the proposal include food for home consumption, fuels, residential utilities, and prescription drugs. Contingent on HB 1 passage and effectiveness.

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.	<b>\$200,000</b>	\$0	\$0	\$0	\$0	<b>\$200,000</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$200,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$200,000</b>

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	<b>\$84,000,000</b>	<b>\$801,000,000</b>	<b>\$801,000,000</b>	<b>\$801,000,000</b>	<b>\$801,000,000</b>	<b>\$3,288,000,000</b>
Agy. Self-Gen.	<b>\$1,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$33,000,000</b>
Ded./Other	<b>\$1,000,000</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$145,000,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

LDR anticipates a one-time additional cost of approximately \$200,000 for modifications to returns, LDR software, and the web filing application, and anticipates no need for additional positions due to proposed law. Any expenditure increases would be financed via SGR out of current collections, ultimately reducing state general fund revenues mechanically. LFO assumes that these expenditures would impact FY25.

**REVENUE EXPLANATION**

**Impact of Partial-year Effectiveness on FY 25:**

The proposal expands the base of taxable sales for several months of FY 25, causing a partial-year revenue increase. LFO estimates the magnitude of this effect as approximately +\$86 million for FY 25.

**FY 26 and Subsequent Years:**

LFO estimates that making 0.4% of the 0.45% levy permanent would increase sales tax collections by approximately \$450 million in FY26 and subsequent years. Taxing nonresidential utilities at 2% would increase revenues by an additional \$230 million.

LFO estimates that the tax base modifications would likely increase sales tax collections by approximately \$140 million in FY 26 and subsequent years (half-year at \$73 million for FY 25).

LFO estimates that limiting the vendor's compensation monthly maximum from \$1,500 to \$500 would reduce net revenues by approximately \$15 million for every full year relative to the Re-Engrossed version of this bill, and that incorporation of the provisions included in HB 8 of the 3rd Extraordinary Session of 2024 taxing digital services would increase sales tax collections by an additional \$40 million. Additionally, certain definitions of specific taxable services in current law are expanded, however LFO understands that these provisions are apparently for clarification, and effectively reflect recent litigation outcomes. LFO assumes no impact of these provisions for this analysis. (Note: these provisions overlap with those in HB 9 Engrossed, however HB 9 contains a more comprehensive expansion of taxation to services.)

**In total, proposed revenue-increasing provisions amount to approximately \$875 million in FY26 and beyond.**

**Motor Vehicle Sales Tax & the Construction Subfund (CSF) of the Transportation Trust Fund:**

Approximately \$45 million of the +\$450 million sales tax revenue impact of the proposed 0.4% extension is anticipated to be generated by sales on motor vehicles. 60% of such revenues are dedicated to the CSF, thus \$27 million of the \$450 million increase is included in the table above as Dedicated revenues.

**(continued on Page 2)**

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

*Alan M. Boxberger*  
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**Legislative Fiscal Officer**



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**CONTINUED EXPLANATION from page one:**

**(MV Sales Tax & Construction Subfund, continued)**


Additionally, the Dedicated and Self-generated revenue figures in the table above reflect certain minor sales tax dedications, as well as the 1% of certain collections that LDR is permitted to retain as SGR.

**Impact on Local Revenues:**

A detailed LFO estimate on likely local revenue impacts due to this proposal, either at the statewide level or for any particular political subdivision, is unavailable for purposes of this analysis.

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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