



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 551** HLS 25RS 213
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 29, 2025	9:12 PM	Author: WALTERS
Dept./Agy.: Revenue		
Subject: Sales Tax Holiday for Education		Analyst: Mimi Blanchard

TAX/SALES-USE-EXEMPT OR DECREASE SG RV See Note Page 1 of 1
Establishes a sales tax holiday for purchases of certain items on the first Saturday of August each year

Proposed law establishes an annual sales tax holiday on the first Saturday of August, exempting from state and local sales and use taxes the purchase of certain items commonly associated with "back-to-school" shopping. The exemption applies to computers (including laptops and tablets), clothing, footwear, school supplies, backpacks, school or teacher instructional materials, and learning aides such as software, jigsaw puzzles, and books. The exemption is subject to certain price limitations: computers must be priced under \$500, and other qualifying items must be priced under \$50 but is not capped in any other way.

Effective August 1, 2025 (first sales tax holiday to occur on August 2, 2025).

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$25,200	\$0	\$0	\$0	\$0	\$25,200
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	\$25,200	\$0	\$0	\$0	\$0	\$25,200

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

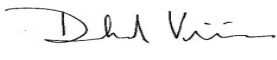
EXPENDITURE EXPLANATION
LFO anticipates that that modifying the current set of exemptions will require minor expenditures by LDR for tax return form redesign, and for computer system modification, development, and testing. Vendors may be required to adapt systems for the one-day tax change. Presumably, LDR will publish rules to further delineate eligible sales and procedures.

REVENUE EXPLANATION
Proposed law establishes a new annual sales tax holiday on the first Saturday of August, exempting certain back-to-school purchases from state and local sales and use taxes, subject to item-specific price limitations. The bill will reduce SGF and local revenue annually beginning in FY 26 as the first holiday would occur on August 2, 2025. While sales tax holidays may shift 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 net loss of tax receipts.Past sales tax holidays in August included higher ticket items and usually extended over multiple days resulting in multi-million dollar impacts.

LDR does not have data on the exempt purchases related to the proposed sales tax holiday and reports the impact as indeterminable. However, based on prior consumer spending trends and using data from the National Retail Federation annual Back-to-School Spending Report and U.S. Census household counts, LDR assumed average household purchases across categories such as clothing, school supplies, software, and computers priced below the exemption thresholds. LDR estimates total eligible purchases at approximately \$90 M, resulting in a potential annual state revenue loss of \$4.5 M at the 5% state sales tax rate. Similar losses would be expected at the local level, based on average local tax rates (5.1%).

LFO calculates an estimated effect using data from the National Retail Federation, which reports average back-to-school spending of \$875 per household for K–12 students and \$1,365 for college students in 2024. Applying the average value of \$1,120 per household to Louisiana’s 1,783,168 households reported by the U.S. Census Bureau (2019–2023) results in approximately \$2 billion in total seasonal spending. Assuming 10% of that spending occurs on the exempt day, roughly \$200M in purchases would be excluded from taxation. At the 5% state sales tax rate, this would equate to an estimated \$10M in annual state revenue loss. Similar revenue losses would be expected at the local level, using an average local tax rate of 5.1%.

Note: Proposed law does not limit the exemption to purchases made for students or educational purposes, and does not require proof of student status. As such, the exemption would apply to any individual purchasing the eligible items listed in the bill, regardless of intended use.

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