



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 241** SLS 25RS 325

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 19, 2025	8:19 AM	Author: MIGUEZ
Dept./Agy.: Revenue		
Subject: Sale/Use - Exempt Repair Cost of Rent/Lease Motor Vehicle		Analyst: Mimi Blanchard

TAX EXEMPTIONS EG DECREASE GF RV See Note Page 1 of 1
Provides for a sales and use tax exemption for the cost of repairs and parts for certain rented or leased motor vehicles. (7/1/25)
Current law imposes state and local sales and use taxes on the sale, use, lease, or rental of tangible personal property and certain services.

Proposed law creates a state and local sales and use tax exemption for the cost of repairs and for parts and materials used in the repair of a motor vehicle that is rented or leased by a dealer for re-rent or re-lease to a third party.

Effective July 1, 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.	\$52,750	\$0	\$0	\$0	\$0	\$52,750
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

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
Based on previous reports by Louisiana Department of Revenue (LDR), LFO anticipates one time costs of \$52,750 associated with updating tax forms, instructions, and processing systems to account for the new exemption. Local taxing authorities are anticipated to incur similar expenditures.

REVENUE EXPLANATION
Proposed law will result in an indeterminable but potentially significant decrease in state general fund (SGF) and local revenue, depending on the volume and value of qualifying repairs and parts for dealer-owned rental or leased vehicles. Under current law, the Louisiana Department of Revenue (LDR) considers repairs and maintenance to tangible personal property, including motor vehicles, to be taxable, and sales tax is applied to both labor and parts. However, without specific data regarding repairs of rental or leased vehicles, making the precise impact of the proposed exemption difficult to determine.

For illustrative purposes, according to the 2021 Vehicle Inventory and Use Survey (VIUS) published by the U.S. Census Bureau, there were approximately 121,100 leased vehicles in Louisiana, including both personal and commercial vehicles. Assuming each leased vehicle incurs one repair annually at an average cost of \$1,000 including labor and parts, total repair expenditures could reach \$121.1 M per year. At a 5% state sales tax rate, this equates to an estimated \$6.1 M in state revenue reduction, with an additional \$6.2 M in local revenue reduction assuming a 5.1% average local tax rate, although local rates vary by jurisdiction. It is expected that actual impacts will vary depending on the location and number of qualifying repairs and enforcement of the exemption.

<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}	<div>Deborah Vivien Chief Economist</div>