

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1039** HLS 26RS 1525
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.: **REVISED**

Date: May 5, 2026	7:58 AM	Author: DESHOTEL
Dept./Agy.: Remote Sellers, Uniform Local Sales Tax Board, Locals		Analyst: Mimi Blanchard
Subject: Local Sales and Use Tax Audit Procedures		

TAX/SALES-USE, LOCAL OR SEE FISC NOTE SG EX See Note Page 1 of 2
 Provides for local sales and use tax audit procedures

Proposed law provides that any request for a taxpayer to execute a waiver of the prescriptive period is voluntary. Proposed law authorizes the taxing authority or other entity which collects local sales and use tax to enter into a contract with a private auditing firm only if the firm is domiciled in Louisiana. Proposed law requires that prior to making an estimate of tax due, the collector shall provide the dealer with a written request that identifies all books, records, papers, vouchers, accounts, and documents sought for examination, otherwise the assessment shall be considered arbitrary. Proposed law further authorizes taxpayers and collectors to enter into written agreements to suspend the prescriptive period and provides that, if agreed, the accrual of interest or delinquency penalties may be suspended during such period.

Effective August 1, 2026.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

Remote Sellers Commission (RSC) reports that proposed law may result in increased reliance on in-house auditors to the extent that contracting with firms domiciled in Louisiana limits available options and may exclude audit firms with more experience auditing remote sellers. RSC reports that proposed law may also preclude them from participating in multi-state audits conducted by audit firms not domiciled in Louisiana. The need to hire staff to handle these audits would increase expenditures for RSC, though the necessity and level of staffing is unknown at this time. RSC reports that its audit program is in the early stages of development, as it has only been collecting taxes since 2020 and is currently conducting audits in-house prior to entering into contracts with audit firms.

Louisiana Association of Tax Administrators (LATA) initially reported no anticipated direct material effect on local collection agency expenditures as a result of the original bill. **LFO believes that LATA may experience similar impacts as reported by RSC, though we have not received an official response thus far. The fiscal note will be updated once additional information becomes available.**

REVENUE EXPLANATION

LATA initially reported that proposed law will result in an indeterminable decrease in local sales and use tax collections to the extent that the ability of local collectors to initiate or conduct audits is limited. LATA indicates that the current audit coverage rate is approximately 1.42% of total taxpayers, and that audit activity may be reduced due to additional approval requirements and the use of random audit selection, which may result in lower collections if selected taxpayers have limited tax liability. **LFO believes that the proposed amendments do not inherently reduce or limit audit activity and remove the requirement of random selection which would have resulted in the possibility of the selection of taxpayers with either lower or higher liability than those currently selected, and would have impacted associated audit revenues.**

The original proposed law prohibited collectors from requiring or conditioning audit resolution on a taxpayer's agreement to extend the prescriptive period, invalidated certain waivers obtained in violation of this provision, and suspended the accrual of interest and penalties during the waiver period. LATA initially reported that these changes may reduce audit collections, as the suspension of interest would directly reduce amounts collected and restrictions on executing waivers could result in audits prescribing prior to completion when waivers are not executed.

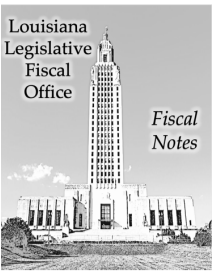
SEE CONTINUED REVENUE EXPLANATION ON PAGE 2.

<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}

Alan M. Boxberger

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CONTINUED EXPLANATION from page one:

CONTINUED REVENUE EXPLANATION

LATA further indicated that waivers are currently executed for various reasons, including staffing constraints, sequencing of audit workloads, and delays in obtaining necessary documentation from taxpayers. LFO acknowledged that these provisions may reduce flexibility in audit timelines; however, to the extent that audits must be completed within shorter timeframes, impacts may be reflected in increased administrative costs rather than reduced collections. **LFO believes that the proposed amendments remove these provisions and instead authorize the suspension of the accrual of interest and penalties during the suspension of the prescriptive period by agreement between the taxpayer and collector. LFO believes that should these agreements be made, they may reduce audit collections, as the suspension of interest would directly reduce the amounts collected, which may similarly impact the RSC.**

*Note: LATA initially reported that proposed law may conflict with confidentiality requirements established in R.S. 47:1508, which restrict the disclosure of taxpayer information except as otherwise provided by law. **LFO believes that this issue is resolved in the proposed amendments, as there is no longer a requirement to share information to members of a joint sales and use tax commission, a central collection commission, or the governing board of a tax collector.**

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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