LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 247** HLS 11RS 683
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 3, 2011 10:41 AM
Author: HENRY
Dept./Agy.: Revenue
Subject: Expansion of state & local sales tax exemption for festivals
Analyst: Deborah Vivien

TAX/SALES & USE OR -$1,000,000 GF RV See Note

Excludes from state and local sales and use tax the sales of tangible personal property and services sold by the sponsor at events sponsored by certain nonprofit organizations

Current law exempts from state and local sales tax events sponsored by non-profit organizations for tangible personal property, admission charges, parking fees when the entire proceeds less necessary expenses are used for educational, charitable, religious or historical restoration purposes.

Proposed law expands the exemption to include events that provide Louisiana heritage, culture, crafts, art, food and music and are sponsored by non-profit organizations, even when the sponsor has contracted for production management and financing services of the event.

EXPENDITURES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**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	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5 -YEAR TOTAL**
State Gen. Fd.	($1,000,000)	($1,000,000)	($1,000,000)	($1,000,000)	($1,000,000)	**($5,000,000)**
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	($1,250,000)	($1,250,000)	($1,250,000)	($1,250,000)	($1,250,000)	**($6,250,000)**
Annual Total	**($2,250,000)**	**($2,250,000)**	**($2,250,000)**	**($2,250,000)**	**($2,250,000)**	**($11,250,000)**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill is reportedly filed on behalf of the New Orleans Jazz and Heritage Festival, which has been denied the non-profit sales tax exemption since 2009. Financial arrangements of the festival are such that the contracted production management and financing services fees are based on the outcome of the festival, which the Department of Revenue indicates nullifies the exemption, and the Festival has remitted tax. This legislation will allow the exemption even under the current financing arrangement of the festival. Based on historical attendance, it is assumed that 387,500 tickets are sold at and average price of $52.50 each ($45 - $60) for total sales of $20,343,750, generating some $814,000 of tax. Additional sales by the Festival organization itself are also subject to tax, but the organization has not provided information regarding its remittances. To recognize remittances associated with those sales the estimate above is increased to $1 million per year (implies nearly $5 million in other sales or nearly $200,000 of tax). At the 5% local tax rate, the local impact is estimated at $1.250 million per year as a result of the proposed exemption. The actual impact of the exemption will depend on festival activity in each particular year.

The language in the bill is written broadly enough that other events currently financed in the same way may also be eligible for the exemption, though none are specifically known at this time. Should additional events qualify, the impact of this bill will be larger.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
☐ 6.8(F)2 >= $100,000 Annual SGF Cost {H&S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist