



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 258** SLS 11RS 662
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 26, 2011	12:59 PM	Author: WILLARD-LEWIS
Dept./Agy.: Revenue		
Subject: State and local sales tax exemption for orbital environments		Analyst: Deborah Vivien

TAX EXEMPTIONS

EG DECREASE GF RV See Note

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Provides that state and local sales and use taxes shall not apply to the purchase of certain items manufactured within the state for use in orbital environments. (7/1/11)

The bill appears to intend to dedicate all state sales & use tax collected on transactions related to items for use in orbital environments to a new special fund created by the bill, the Orbital Manufacturing Development Fund. Orbital environments are defined as those more than 500 miles above the earth. Monies deposited into the Fund are to be administered by the Louisiana Economic Development Corporation (LEDC), and is deemed to be the property of LEDC. These monies are to be used solely for grants to manufacturers of items used in the orbital environment.

Effective October 1, 2011.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Due to the complicated nature of the proposed law and the unique application of the tax, the Department of Revenue anticipates the need for a separate online remittance procedure in order to properly collect and allocate monies related to these transactions. Should this be required, development and installation of such a system could be relatively expensive. The Department has indicated costs in excess of \$400,000. Clarifying or simplifying the application of this bill’s proposal would likely reduce whatever implementation costs are incurred.

REVENUE EXPLANATION

The bill dedicates certain state sales tax collections to a new special fund created by the bill. Any remittances of state sales tax from the sales of items used in an orbital environment, including direct sales and sales or purchases of property, services, leases or rentals used to process or manufacture items for orbital environments are to be deposited to the Orbital Manufacturing Development Fund. LEDC is authorized to provide grants back to the same manufacturers.

This legislation is not specific as to a particular project or to specific products, and could apply to the sales of any products manufactured in the state and used in an orbital environment. The bill defines an orbital environment as more than 500 miles above the earth. Committee testimony by an advocate for the bill indicated these are probably satellites used for telecommunications, television, or other similar technology. It is not known if any manufacturers currently in the state would qualify for this exemption, and the advocate for the bill would not reveal what manufacturer or products the bill was intending to benefit. The magnitude and timing of any reduction in state general fund revenue can not be determined, but the application of the bill to transactions involving manufacturing, and associated services, leases, and rentals suggests the possibility of a significant dedication state general fund revenue.

The Department of Revenue indicated various concerns about the bill’s application.

(1) The bill appears to impose sales tax on component parts of for further resale, which are excluded from tax under current law; or if not subject to tax, then the materials, services, leases, or rentals used to construct the affected item are taxed. There is some confusion as to which transactions are to be taxed and which are to be exempt.

(2) The bill may lead to a duplication of the dedication of sales tax to an economic development fund, by dedicating all affected sales tax remittances to this bill’s fund, then still allowing the current law dedication of sales tax.

(3) The bill appears to preclude some rights of manufacturers to appeal assessments by the Department of Revenue.

Senate	Dual Referral Rules	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<div></div> <div>Gregory V. Albrecht Chief Economist</div>
		<input checked="" type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF 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}	