



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 49** SLS 11RS 238
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 27, 2011	12:33 PM	Author: MILLS
Dept./Agy.: Local		
Subject: Local sales and use tax exemption for complex biologics		Analyst: Deborah Vivien

TAX EXEMPTIONS OR -\$4,800,000 LF RV See Note Page 1 of 1

Provides for a state sales and use tax exemption for certain transactions related to certain inhibitors and certain complex biologics. (7/1/11)
Current law exempts prescription drugs from state sales and use tax and allows a local exemption based on local approval, although Caddo Parish is explicitly exempt in R.S. 47:337.10(K)(1). Oncological drugs and related chemotherapy drugs are exempt from both state and local sales and use tax.

Proposed law exempts the sale and use of vaso-endothelial growth factor, known as VEGF inhibitors, including but not limited to Visudyne and Macugen, from local sales and use tax for all local taxing authorities (the special local exemption for Caddo Parish is repealed). The bill also provides for an exemption from local sales and use tax for complex biologics such as monoclonal antibodies, including but not limited to Infliximab.

Effective July 1, 2011

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.	\$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	(\$4,800,000)	(\$4,800,000)	(\$4,800,000)	(\$4,800,000)	(\$4,800,000)	(\$24,000,000)
Annual Total	(\$4,800,000)	(\$4,800,000)	(\$4,800,000)	(\$4,800,000)	(\$4,800,000)	(\$24,000,000)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The drugs described in this exemption are administered only in a physician’s office. At this time, physicians are subject to local sales tax as the consumer of the medication because they administer it. This bill seeks to exempt all transactions involving these types of drugs from local sales and use taxation (they are already exempt at the state level).

According to IMS Health data provided by proponents of the legislation, total sales of biologics subject to tax in Louisiana (excluding the existing local exemptions) are about \$120 million per year. Assuming a weighted average local sales tax rate of 4%, exempting these sales from the local sales tax results a local revenue loss of about \$4.8 million per year.

The bill also contains a provision for the exemption of VEGF inhibitors from sales and use tax. Specific data to project the additional sales tax revenue loss due to this class of drugs was not available but will increase the local revenue loss aboe the amount discussed above. While it is expected that sales of complex biologics above will produce the majority of the revenue loss, that loss should be considered a minimum local revenue loss.

According to the industry, these drugs are currently used to treat cardiovascular disease, prevent transplant rejection, cancer, viral infection, inflammatory diseases, and to suppress the immune system.

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