LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 35** HLS 11RS 137
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 3, 2011 12:40 PM
Author: STIAES
Dept./Agy.: Revenue
Subject: State and local sales tax exemption for non-profit builder
Analyst: Deborah Vivien

TAX/SALES-USE-EXEMPT EG -$112,000 GF RV See Note

Provides for a sales and use tax exemption for sales of certain property to the "Make It Right Foundation"

Proposed Law: Provides an exemption from state and local sales tax on construction materials purchased by the Make It Right Foundation for new residential construction in Louisiana.

Effective July 1, 2012

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	($112,000)	($112,000)	$0	$0	**($224,000)**
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	$0	($136,500)	($136,500)	$0	$0	**($273,000)**
Annual Total	**$0**	**($248,500)**	**($248,500)**	**$0**	**$0**	**($497,000)**

EXPENDITURE EXPLANATION

There are no administrative costs anticipated as a result of this legislation. According the the Department of Revenue (LDR), implementation will require the approval and issuance of exemption certificates for the qualifying taxpayer, which is an on-going activity within LDR. Any additional costs associated with this legislation, which are not expected to be material, will be absorbed within the current budget.

REVENUE EXPLANATION

The Make It Right Foundation is a nonprofit organization founded by the actor, Brad Pitt, in 2007 to build affordable, green, high design homes in place of those devastated by Hurricanes Katrina and Rita in the Lower Ninth Ward of New Orleans. According to the Foundation, the group has completed construction of about 71 homes since its inception and are continuing to complete about 79 more with an average cost of construction materials purchased in Louisiana of $120,000. At 4%, the state sales tax per home would be $4,800. Assuming a rate of 4.875% (most sales are expected in Jefferson Parish with 8.75% sales tax rate and Orleans Parish at 9%), the local sales tax per home would be $5,850. Assuming all 150 planned homes are constructed over 3 years and 70 homes will be remaining by July 1, 2011, the state general fund would decline by an estimated $112,000 per year ($4,800 * 70/3) through FY 13/14. The bill becomes effective in FY 12/13 and, presumably, the project will continue its construction schedule as currently planned. Local sales tax is expected to decline by an estimated $135,600 annually ($5,850 * 70/3) through FY 13/14. The actual timing of construction and purchase of materials will determine the actual annual impact to the state general fund and local funds.

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}

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