LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 9, 2011 2:53 PM
Author: HENRY
Dept./Agy.: Revenue
Subject: Expansion of state & local sales tax exemption for festivals
Analyst: Deborah Vivien

TAX/SALES & USE RE -$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. The exemption applies only to events that take place over at least 7 days with attendance of at least 300,000 annually averaged over the most recent 5 years.

Effective October 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.	($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. Presumably, the effective date of October 1, 2011, will allow the bulk of sales related to the 2012 festival to be included in the impact.

The language in the bill is written to most likely limit the exemption to the New Orleans Jazz Fest as it is currently staged. In the future, should additional events grow large enough to qualify, the impact of this bill will increase.

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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