LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 629** HLS 11RS 1264
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 22, 2011 11:18 AM
Author: ELLINGTON
Dept./Agy.: Economic Development / Revenue
Subject: Procurement Processing Sales Tax Rebate
Analyst: Greg Albrecht

TAX CREDITS RE1 SEE FISC NOTE GF RV

Creates the Louisiana Entrepreneurial Assistance and Development (LEAD) Program for tax credits for venture capital investments

Allows the Department of Economic Development to contract with procurement processing companies to rebate back to the company a portion of state sales tax they remit to the state from their procurement activities in the state. Such a contract can be for an initial term of 20 years and provide a rebate of at least 40% of sales taxes paid. The rebate percentage increases to 50% when taxable sales reach $2 billion and can be a higher percentage if sales reach $4 billion. These sales levels appear cumulative over the contract term, and annual sales levels. A monthly accounting is to be submitted to the Revenue Department, and rebates are paid within 30 days of each report.

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	$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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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**

EXPENDITURE EXPLANATION

The Department of Revenue will incur some costs to establish processes for reviewing the monthly reporting required by the bill, verifying the remittances of the participating companies, and making rebate payments. The Department of Revenue indicates that to avoid manual processing it would require electronic processing of this information. The Revenue Department's rough estimate of the cost of establishing a system for this purposes is a one-time $225,000 of staff time.

REVENUE EXPLANATION

The bill contemplates state sales tax rebates to participating procurement processing companies from the sales taxes these companies pay to the state resulting from their operations in the state. As described by proponents, the procurement processing company locates in Louisiana and manages the activities of a purchasing company. The purchasing company facilities the purchase of items for a client firm in another state from a supplier firm in a third state. These transactions are sourced to Louisiana for sales tax purposes, and associated sales taxes are remitted to the state. A portion of these remittances are rebated back to the procurement processing company and a portion is retained by the state.

To the extent these transactions are successfully carried out in this manner, new sales tax liabilities and remittances are generated and paid to the state. The state sales tax base is effectively expanded, resulting in additional sales tax receipts.

In order for net new state sales tax receipts to result, though, certain conditions must be met. The procurement transactions must be new transactions not otherwise occurring in the state. The transactions must be generating net additional state sales tax liabilities. Sales taxes associated with those transactions must be remitted to the state, and the Revenue Department must be able to explicitly identify those remittances. The rebates to the company must be effectively paid from the remittances made by the company, and must be less than 100% of the remittances. Should rebates be paid that are not financed by actual net additional remittances from participating companies the state would experience net revenue losses.

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}

H. Gordon Monk

H. Gordon Monk
Legislative Fiscal Officer