	LEGISLATIVE FISCAL OFFICE Fiscal Note	E					
	Fis <sup>,</sup>	cal Note On:	HB	509	HLS	15RS	1104
Legiative	Bill T	Text Version:	ENGR	OSSED			
Fiscality	Opp. Cha	amb. Action:					
Fiscill Notes	·	posed Amd.: Sub. Bill For.:					
<b>Date:</b> May 6, 2015	6:25 PM		uthow	CMITU			
Dept./Agy.: Revenue	0.25111	A	Author:	SMITH	, P.		
	ess Utilities exemptions from 1% for 2 years	A	nalyst:	Debora	h Vivi	en	
TAX/SALES & USE	EG +\$103,000,000 GF RV See Note					Page 1	of 1

EG +\$103,000,000 GF RV See Note TAX/SALES & USE Suspends the state sales and use tax exemption for business utilities

Current law exempts from 4% state sales tax the purchase of electricity, steam and water by industrial users (business utilities).

Proposed law suspends for 2 years the exemptions on business utilities for 1% of state sales and use tax imposed by R.S. 47:331, 0.03% of which is dedicated to the Tourism Promotion District. The term of the suspension is 7/1/15 to 7/1/17.

EXPENDITURES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	2019-20	<u>5 -YEAR TOTAL</u>
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	<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	2015-16	<u>2016-17</u>	2017-18	<u>2018-19</u>	2019-20	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$103,000,000	\$105,000,000				\$208,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$4,200,000	\$4,300,000				\$8,500,000
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	\$107,200,000	\$109,300,000	\$0	\$0	\$0	\$216,500,000

## **EXPENDITURE EXPLANATION**

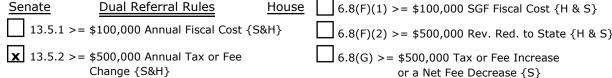
There is no anticipated direct material effect on governmental expenditures as a result of this measure.

## **REVENUE EXPLANATION**

The Department of Revenue data indicates that the bill will increase SGF revenue by about \$107M in FY 16 by suspending exemptions on a 1% sales tax rate on business utilities. The figures are from the Tax Exemption Budget (TEB), which increases actual FY 14 exemptions by 2% to estimate FY 16, though total sales tax remittances did not grow as fast. In addition, about \$1M was subtracted from the total to allow for vendors compensation payments (0.935% of sales tax remitted) and \$3.2M for the Tourism and Promotion District dedication, which is 3% of the portion of the state sales tax referenced by the bill for a net SGF impact of about \$103M. Annual growth between FY 16 and FY 17 is assumed to be 2%.

Business Utilities, Water and Steam	\$107,151,000
less: Tourism Promotion District Dedication Additional Vendor's Compensation	(3,214,530) (1,001,862)
Expected Annual SGF impact (rounded)	\$103,000,000

Collections are likely to be low in the first month or two of this suspension, then ramp up as compliance improves. A material portion of what is foregone at the beginning of the fiscal year will be recouped in the accrual period at the end of the fiscal year.



 $6.8(F)(1) >= $100,000 \text{ SGF Fiscal Cost } \{H \& S\}$ 

V. albert

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**Gregory V. Albrecht Chief Economist**