|                          | LEGISLATIVE FISCAL OFFICE<br>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.:<br>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**

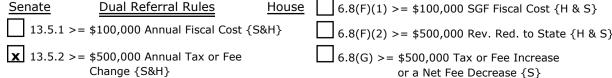
There is no anticipated direct material effect on governmental expenditures as a result of this measure.

## **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<br>Additional Vendor's Compensation | (3,214,530)<br>(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**