

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 336** HLS 15RS 771
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 3, 2015	8:27 AM	Author: CONNICK
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Motor vehicle interstate tax avoidance		

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 Provides for the collection of sales and use tax imposed on the purchase of motor vehicles by certain foreign business entities

Current law imposes a 4% state sales tax on motor vehicles.

Proposed law retains current law and authorizes the Department of Revenue to impose the tax if the purpose of a foreign business was tax avoidance and the tax would have been due had the business been formed in the state. To determine tax avoidance, the secretary may consider business purpose, compensation, physical location and use, employment practices, tax filings, etc. The bill is contingent upon enactment of both SB 223 (substitute for SB 284), the SAVE credit in Higher Education, and HB 828, the phase-out of the Corporate Franchise Tax, of the 2015 Regular Legislative Session.

Effective January 1, 2016.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

To the extent that corporations are being formed in other states in order to avoid paying sales tax on motor vehicle purchases in LA, this bill may help the Department of Revenue in enforcement efforts and thereby increase SGF revenue of sales tax remittances. However, it is not possible to estimate the activity that might no longer occur due to this bill, but any consequent enforcement/compliance success at all can only work to increase revenue collections. With an effective date beginning with tax year 2016, any impact would not be likely until FY 17.

If both SB 223 (SAVE credit) and HB 828 (Corporate Franchise phase-out) of this session are not enacted, this bill will not be enacted.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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