

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 8** HLS 15RS 1014
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Suspends Business Utilities exemptions from 1% for 1 year	

TAX/SALES-USE, ST-EXEMPT EN +\$103,000,000 GF RV See Note Page 1 of 1
 Suspends the exemption for business utilities as to the 0.97% state sales and use tax levy

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

Proposed law suspends 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 from July 1, 2015 until 60 days past the final adjournment of the 2016 Regular Legislative Session or August 5, 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	\$0	\$0	\$0	\$0	\$0	\$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.	\$103,000,000	\$0	\$0	\$0	\$0	\$103,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$4,200,000	\$0	\$0	\$0	\$0	\$4,200,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$107,200,000	\$0	\$0	\$0	\$0	\$107,200,000

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.

Business Utilities, Water and Steam	\$107,151,000
less: Tourism Promotion District Dedication	(3,214,530)
<u>Additional Vendor's Compensation</u>	<u>(1,001,862)</u>
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.

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| Senate | <u>Dual Referral Rules</u> | House | <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 checked="" 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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