

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 61** HLS 161ES 26
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 22, 2016 10:22 AM	Author: MORRIS, JAY
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Expands base and dedicates to HIED 2% of sales tax	

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 Dedicates the avails of the existing one percent state sales and use tax to the Stability in Higher Education Fund and provides with respect to the extent of that tax base for purposes of monies available for deposit into the fund (Items #7 and 36)
Current law imposes a 4% state sales and use tax on sales of tangible personal property and certain services with specific exemptions and exclusions. A statutory dedication of 0.4% of remittances with \$2M to the Marketing Fund and the remainder to the LA Economic Development (LED) Fund are required. Business utilities are taxed at 1% for 2015-16 fiscal year.
Proposed law retains current law with respect to the levies (R.S. 47:321) and R.S. 47:331 (0.97% state and 0.3% Tourism Promotion District). The bill also expands the base of 2% of sales tax and dedicates all proceeds from the 2% sales tax to the Stability in Education Fund (created in this bill). The LED Fund dedication of .4% of sales tax collections is limited to the 2% sales tax. Many items previously exempt would be taxable at 2% including Business Utilities (3% tax for 4 months from HCR 8), Manufacturing Machinery & Equipment (MM&E), LA Tax Free Shopping (eligible refunds only on 2%), all sales tax holidays, among others. Contingent upon enactment of as yet unidentified bills duplicating HBs 211 and 495 of 2015, which deal with membership and power of the Joint Legislative Committee on Capital Outlay. Effective April 1, 2015

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	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

EXPENDITURE EXPLANATION

Without enactment of bills duplicating HBs 211 and 485 of 2015, there is no anticipated direct material effect on governmental expenditures as a result of this measure. With enactment of the bills, the Department of Revenue and Treasury indicate that any expense related to this bill will be absorbed in the current budget. However, implementation will require a substantial effort to create and monitor the fund, change forms, systems and provide customer service for such an extensive change to a multitude of items that were not previously taxed and others with a tax rate increase. Costs and human resources required for implementation could be significant.

REVENUE EXPLANATION

The bill is contingent upon enactment of bills duplicating HBs 211 and 485 of 2015 Regular Session, which are not proposed at this time. Thus, enactment of this bill will have no revenue impact. Assuming appropriate bills are passed during the legislative session prior to April 1, 2016, changing the membership and powers of the Joint Legislative Committee on Capital Outlay, the estimate would appear as below:

With sales tax collections currently showing little growth over last year, FY 15 actual figures will serve as an estimate for an annual impact to state revenues with respect to currently taxed transactions. The Department of Revenue data in the Tax Exemption Budget is used for currently exempt transactions. These data sources suggest that state revenue may be affected by the following amounts on a full year annual basis (\$ millions):

SGF		
Dedication of 2% base (pre expansion)	(1,557.5)	<i>General & Vehicle Sales/2</i>
Reduction of LED Fund dedication	6.2	
SGF Net impact	(1,551.3)	

Statutory Dedications

Stability in Education Fund	1,797.0	--->	<i>Dedication of 2% base (pre expansion)</i>	1,557.5
			<i>Expansion of 2% base</i>	239.5
				<i>120*2 from HB 62 + .5 for Tax Free Shopping</i>
Reduction of LED Fund dedication	(6.2)			
Statutory Dedication Net Impact	1,790.8			

(CONTINUED on page 2)

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {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}

Gregory V. Albrecht
Chief Economist

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CONTINUED EXPLANATION from page one:

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REVENUE EXPLANATION (continued from page 1)

Expansion of 2% Taxable Base (\$ Millions)	
	Annual
MM&E	40.0
Business Utilities	120.0
Certain Trucks and Trailers	10.0
Hotel/Motel	20.0 (not a tax change; from re-dedication of current 2% proceeds)
Sales Tax Holidays	3.0
Tax Free Shopping (refund 2%)	0.5
Other (Assuming 10%)	46.0
TOTAL	239.5

Actual affects of the bill could be lower in the first months of implementation as compliance and enforcement improves.

Effects in FY16 are highly uncertain as to additional revenue collections as well as to the amounts dedicated to the new fund created by the bill, the Stability in Higher Education Fund. It is possible that substantial amounts of general fund revenue could be lost to the new dedication in the latter months of the fiscal year.

Senate Dual Referral Rules House

- | | |
|--|--|
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {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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