LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 62** HLS 161ES 44
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **W/ SEN FLOOR AMD**
Proposed Amd.:
Sub. Bill For.:

Date: March 3, 2016 2:27 PM **Author:** JACKSON
Dept./Agy.: Revenue
Subject: New Penny State Sales and Use Tax **Analyst:** Deborah Vivien

TAX/SALES-USE, STATE REF +$883,200,000 GF RV See Note
Impose a one cent sales and use tax (Item #9)

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 levies an additional 1% state sales and use tax on sales of tangible personal property and certain services with specific exemptions and exclusions. Items that are not taxable under the original 4% state sales tax but are taxable under the proposed 1% sales tax include: Business utilities, certain trucks/trailers and purchases during sales tax holidays, among many other transactions. However, the bill also taxes non-federal government transactions at 1% (state and local governments), and may require some clarification on some of the 305 exemptions. The LED dedication is retained for original 4% but not the 1% in the bill. Effective upon signature for taxable periods beginning April 1, 2016 and ending April 1, 2021. However, the 1% tax may decrease annually in FY 18 and beyond if certain SGF revenue forecast thresholds are achieved.

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.	$883,200,000	$883,200,000	$883,200,000	$883,200,000	$662,400,000	**$4,195,200,000**
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	**$883,200,000**	**$883,200,000**	**$883,200,000**	**$883,200,000**	**$662,400,000**	**$4,195,200,000**

EXPENDITURE EXPLANATION

The Department of Revenue indicates that any expense related to this bill will be absorbed in the current budget. However, implementation will require a substantial effort to 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

With sales tax collections currently showing little growth over last year, FY 15 actual figures from the Tax Exemption Budget (or the REC forecast for Business Utilities) will serve as an estimate for an annual impact to state revenues with respect to currently taxed transactions. These data sources suggest that state revenue will increase due to these major factors ($ millions):

	Annual	FY 16*	FY 21 (9 months)
1% on Current Taxable Base	790.7	197.7	593.0
1% on New Taxable Base	91.4	16.8	68.6
1% on Hotels	9.3	2.3	7.0
Vendor's Compensation	(8.2)	(2.1)	(6.2)
GROSS Collections	883.2	214.7	662.4
less: Dedication of 0.4% to LED Fund	(0.0)	(0.0)	(0.0)
NET Collections	883.2	214.7	662.4

1% on New Taxable Base ($ Millions)

	Annual	FY 16*
MM&E	0.0	0.0
Business Utilities	60.0	15.0
Certain Trucks and Trailers	4.9	1.2
Vehicle Rentals	0.0	0.0
Manufactured Homes	0.0	0.0
Sales Tax Holidays	1.3	0.0
Tax Free Shopping	0.0	0.0
Other (Assuming 10%)	22.6	0.0
1% Base	2.6	0.6
TOTAL	91.4	16.8

(CONTINUED)

Senate	Dual Referral Rules	House
[ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

Revenue Summary (Continued from page 1)

*These estimates imply a full quarter of unprotested collections based on an annualized amount. Actual collections could be lower, especially in the first months of implementation as compliance improves. The category of "Other" sales is assumed at zero for the first three months. The first FY 16 collections affected by this bill will be due May 20. Any error inherent in the base figures are also carried into this estimate, which increases uncertainty. FY 21 is three quarters of the annual estimate as the bill will be in effect for 9 months in FY 21.

All of the figures in the note are preliminary due to the expedited analysis of an extensive change to legislation. Further analysis could alter this estimate.

The revenue trigger decreases the sales tax rate imposed by this bill (1%) by amounts dependent upon REC forecast growth for the SGF adopted prior to the beginning of each regular session, where the forecast growth is without consideration of the growth in sales tax revenue. If the forecast growth for the ensuing year is $225M-$449M, the sales tax rate during the ensuing year will decrease by 0.25%; a forecast increase of $450-$674M, the sales tax will decrease by 0.5%; a forecast increase of $675M-$899M, the sales tax rate will decrease by 0.75%; and, if the SGF direct forecast increases by $900M or more, the sales tax rate will be eliminated. This note assumes the revenue trigger necessary to reduce the tax is not activated within the fiscal note horizon. However, should the forecast allow a reduction in the 1% tax (the bill appears to make the first possible year be FY 18), SGF revenue will decrease by an amount based on actual revenue and not necessarily what is estimated in this note.

Notes: Continual analysis of the bill has revealed that purchases by non-federal governments will be taxable at 1%. In addition, certain exemptions amended on the Senate Floor may need clarification.

Senate | Dual Referral Rules | House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
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Senate — Dual Referral Rules — House

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