



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 831** HLS 05RS 1445
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: May 17, 2005	1:20 PM	Author: MORRISH
Dept./Agy.: Revenue		Analyst: Robert E. Hosse
Subject: Exempt crawfish production/harvest items from sales tax		

TAX/SALES-USE, STATE OR -\$1,425,000 GF RV See Note Page 1 of 1
 Provides with respect to the suspension of the sales tax exemption for the harvesting of crawfish

Present law provides for exemption from 3¢ of the 4¢ of state sales and use tax for materials, supplies, equipment, fuel, bait, and related items, other than vessels, used in the production or harvesting of crawfish. Present law has suspended the exemption against 3¢ of the 4¢ of the state sales and use tax until June 30, 2009. Proposed law would reenact the exemption as an exclusion for these crawfish related items from all 4¢ of the state sales tax. Effective upon governor's signature.

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-10	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	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	(\$1,425,000)	(\$1,425,000)	(\$1,425,000)	(\$1,425,000)	(\$356,000)	(\$6,056,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$1,425,000)	(\$1,425,000)	(\$1,425,000)	(\$1,425,000)	(\$356,000)	(\$6,056,000)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The proposed legislation is estimated to result in a decrease in combined State General Fund (3.97%) and Tourism District (.03%) revenue of between \$1.2 million and \$1.65 million annually. through FY 09. The impact is anticipated to be between \$300,000 and \$414,000 in FY10 and thereafter. This fiscal note makes no assumption about price changes to bait (the major variable expense which would be subject to the exclusion). The loss illustrated in the table above simply takes the average of the loss range as described below.

According to LSU AgCenter Aquaculture information, approximately 118,000 acres of commercial crawfish ponds were in production in 2004. This information indicates that approximately one-third of total production cost is attributable to bait. The cost of bait depends on the type used in addition to the amount used per trap, trap density, and trapping frequency. The cost can range from \$40 to \$200 per acre, with the cost per acre for a single crop of crawfish in southwest Louisiana estimated to be \$105. The estimated costs for sacks is \$12 per acre and fuel at \$4 per acre. Well managed ponds can produce three crops per year. Estimates of expenses were limited to variable expenses associated with harvesting crawfish crops since existing crawfish farms will already have traps, oxygen meters, pumps and other equipment. Some of the equipment items for production of crawfish may also be subject to the phase in of the manufacturing exemption. The total cost of bait and sacks for three crops (\$105 + \$12 = \$117 * 3 = \$351) times the 118,000 acres being farmed for crawfish is \$41.4 million annually. Tax at 4% on this amount is approximately \$1.65 million per year until June 30, 2009. Only 1% tax would apply after that date, resulting in a loss in that year and subsequent years of approximately \$414,000.

The above estimate does not include the harvesting costs of wild crawfish which could add to the above estimate; however, the LFO does not believe that all of the ponds would actually produce 3 crawfish crops per year because these ponds are often also used for rice production which presumably would be precluded to some extent if crawfish were also produced during these time periods. Harvesters of wild crawfish would probably use less commercially obtained bait and it is presumed that their bait costs would be less than many pond producers, therefore the tax exemption impact could be closer to \$1.2 million rather than the calculated 1.65 million per year.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
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Chief Economist