



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 263** SLS 05RS 661
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: May 5, 2005 9:14 AM **Author:** KOSTELKA
Dept./Agy.: Department of Revenue **Analyst:** Robert E. Hosse
Subject: State/local sales tax exclusion on certain component parts

TAX/SALES OR LF RV See Note Page 1 of 1
 Provides for the definition of component parts of immovable property for purposes of state and local sales and use tax. (gov sig)

Proposed law excludes from the state and local sales and use tax component parts of immovable property. Proposed law provides, for the purpose of state and local sales and use tax, that component parts of immovable property include: (1) things permanently attached to a building or other construction, including plumbing, heating, cooling, electrical or other installations and the component parts thereof, such as electrical and plumbing fixtures; (2) other things that are permanently attached to an immovable or to its component parts such that (a) based on societal expectations, the ownership of the items would be expected to be conveyed with the sale of the immovable, or (b) the items cannot be removed without substantial damage to themselves or to the immovable to which they are attached. Proposed law defines "substantial damage" for purposes of proposed law as including the impairment of the functional usage of the immovable or the thing attached thereto, such as the removal of a toilet from the plumbing system of a building. The effectiveness of proposed law is contingent upon a senate bill (presumably SB 196) not becoming law. Effective upon governor's signature.

EXPENDITURES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
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	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

There is no anticipated direct material effect on state revenues as a result of this measure. The Department of Revenue has indicated that the proposed legislation represents a clarification rather than a significant change as it pertains to the collection of state sales and use tax.

The proposed law is not anticipated to result in a significant impact on local revenue. The proposed law would exclude from sales and use tax certain components of immovable property, and would apparently not impact the taxation of items which were initially challenged by a medical facility and which resulted in recent court findings, since they were found to be movables.

Apparently, Caddo Parish's attempt to impose its sales tax on nuclear cameras within a local medical facility were legally challenged by the medical facility. Although the Supreme Court ultimately ruled that these items were taxable, the court appears to have called into question certain long-standing legal tenets which have served to determine the treatment of immovables under Louisiana law. In particular, the rejection by the court of the "societal expectations" test as a means of determining component parts of immovables may cause unintended consequences relative to the treatment of immovables under Louisiana law as it pertains to mortgages and successions.

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
Gregory V. Albrecht
Chief Economist