

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **HB 8** HLS 082ES 113  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 9, 2008 3:00 PM	<b>Author:</b> RICHMOND
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Business Utilities Sales Tax Reduction	

TAX/SALES-USE, STATE OR -\$68,000,000 GF RV See Note Page 1 of 1  
 Provides relative to the effectiveness of the state sales and use tax exemption for sales of electricity, natural gas, water, and steam (Item #2)

Current law imposes a state sales tax of 3.3% on business purchases of electricity and natural gas for energy, and a tax of 3.8% on business purchases of steam and water. These tax rates are scheduled to drop to 1% on July 1, 2009.

Proposed law provides a 1% reduction in the tax rate on these purchases (from 3.3% to 2.3% on electricity and natural gas energy, and from 3.8% to 2.8% on steam and water) at the beginning of FY09. The particular levy affected by this bill (R.S. 47:321) has no scheduled expiration. Thus, with enactment of this bill, the tax on these transactions will be completely eliminated after June 30, 2009.

Effective July 1, 2008.

<b>EXPENDITURES</b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>5 -YEAR TOTAL</u></b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>5 -YEAR TOTAL</u></b>
State Gen. Fd.	(\$68,000,000)	(\$68,000,000)	(\$68,000,000)	(\$68,000,000)	(\$68,000,000)	<b>(\$340,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>(\$68,000,000)</b>	<b>(\$68,000,000)</b>	<b>(\$68,000,000)</b>	<b>(\$68,000,000)</b>	<b>(\$68,000,000)</b>	<b>(\$340,000,000)</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue will incur some relatively minor costs to incorporate these new tax rates onto tax forms and to handle inquiries from taxpayers concerning these changes.

**REVENUE EXPLANATION**

The estimated effect of this bill is based on the deduction history of electricity & natural gas and steam & water through January 2008, provided by the Department of Revenue. That deduction history was converted to a full sales transactions base. Monthly sales for the electricity & natural gas base over the period May 2005 - January 2008 were averaged and annualized to establish an annual sales estimate of \$6.485 billion for electricity and natural gas. Monthly sales over the period May 2006 - January 2008 (excluding an outlier month of September 2006) were averaged and annualized to establish an annual sales estimate of \$182 million for steam & water. The revenue loss estimates depicted in the table above are the result of a 1% rate cut on these purchases. Estimates of revenue loss from proposals such as this have varied modestly over time depending on the historical data available at any given time for averaging. For example, the tax base estimate above is 2.58% lower than last estimated in the 2007 regular session.

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

*H. Gordon Monk*

**H. Gordon Monk**  
**Legislative Fiscal Officer**