



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 268** SLS 24RS 509
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 18, 2024 8:46 AM **Author:** CATHEY
Dept./Agy.: Department of Revenue **Analyst:** Noah O'Dell
Subject: State Sales Tax Rebate for Purchases in Lithium Recovery

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1
 Creates a state sales tax rebate for the purchase of equipment, machinery, and other items used in lithium recovery activities. (gov siq)
Current law offers state sales tax rebates or exclusions for certain manufacturers for the purchase of manufacturing machinery and equipment as well as the option of a sales tax rebate for those qualifying for the Quality Jobs program. Both programs require businesses to be located in the state.

Proposed law retains current law and establishes a new temporary rebate of all state sales taxes paid by any company engaged in production from a qualified lithium recovery project (defined in bill) for purchases of all equipment, machinery, materials, improvements, and other items for use in connection with the development, production, operation, storage, processing, or transportation of lithium. Proposed law defines a qualified lithium recovery project and requires the Dept. of Revenue (LDR) to implement the rebate including rules, if needed. There are no geographical limitations on qualified lithium projects. The rebate is applicable to purchases made on or after July 1, 2024 and terminates on December 31, 2025.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	\$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

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

Due to the broad nature of the rebate both in potential applicants and eligible sales, participation rates could vary significantly under the proposed law. Given this variability, spending related to the bill is speculative. LDR anticipates the need for one-time IT costs of \$51,360 and for 2 Revenue Tax Specialists (salary and benefits of \$89,515 each) to review and process rebate claims based on experience with costs related to current rebates. The number of applications along with potential documentary and review requirements due to the complexity of items that appear to qualify for the sales tax rebate may warrant additional resources if the rebates are to be issued timely. Note: An increase in SGR spending within LDR is anticipated to reduce the amount of SGF reverted to the general fund.

REVENUE EXPLANATION

The bill allows a temporary state sales tax rebate if any qualified project, which is broadly defined as any company engaged in any process or technology related to lithium recovery and processing whether in state or out-of-state, makes eligible purchases in the state. These purchases would not be subject to state sales tax during the effective time period of the rebate in the bill, which is July 1, 2024 through December 31, 2025. The bill is anticipated to decrease SGF revenues by an indeterminable amount, possibly many millions, depending on actual program uptake.

The bill allows for a rebate on state sales tax paid on all equipment, machinery, materials, improvements, and other items purchased in connection with the development, production, operation, storage, processing, or transportation of lithium or lithium refined products in connection with a qualified lithium recovery project (any recovery and processing project employing direct lithium extraction or any other processes or technology). The number of existing or potential firms that may qualify under this definition is uncertain.

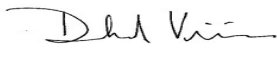
According to LED, there are currently no qualifying projects finalized in the state for lithium production, though there are several with pending package offerings. It is not clear how many out-of-state lithium projects may be enticed to make qualifying purchases in the state due to this rebate. It is also not clear how many projects may qualify under any other processes or technology and what their associated sales might be.

According to LDR, the scope of the proposed rebate includes qualifying purchases in excess of existing programs, such as materials, improvements, storage, or transportation of lithium or lithium refined products. The bill appears to also allow for an expansion of rebates authorized in existing programs (ie, project facility expense rebate in Quality Jobs since sales tax is included in the rebate in this bill).

The fiscal note assumes rebates will be issued at the time of purchase, though actual issuance may occur into later years.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}



Deborah Vivien
Chief Economist