

2016 First Extraordinary Session

SENATE BILL NO. 25

BY SENATORS CORTEZ, ALARIO, APPEL, ERDEY, GATTI, HEWITT, JOHNS,  
LAFLEUR, LAMBERT, LONG, MARTINY, MILKOVICH, MILLS,  
MIZELL, MORRISH, PEACOCK, PERRY, RISER, GARY SMITH,  
TARVER, THOMPSON, WALSWORTH AND WHITE

FUNDS/FUNDING. Creates special committee to review sales and use tax exemptions and  
exclusions. (gov sig)

1 AN ACT

2 To enact R.S. 47:319, relative to state sales and use tax; to create a special committee to  
3 review and recommend with regards to sales and use tax exemptions and exclusions;  
4 to provide relative to membership, activities, reports, and effects; to provide for an  
5 effective date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:319 is hereby enacted to read as follows:

8 **§319. Review of exclusions and exemptions**

9 **A. There is hereby created the Special Committee on Tax Exemptions**  
10 **and Exclusions to meet and review exemptions and exclusions to the tax levied**  
11 **pursuant to the provisions of this Chapter, Chapters 2-A and 2-B of this**  
12 **Subtitle, and R.S. 51:1286.**

13 **B.(1) The membership of the committee shall be as follows:**

14 **(a) The chairman of the Senate Committee on Finance, or his designee.**

15 **(b) Two members of the Senate Committee on Finance appointed by the**  
16 **president of the Senate.**

17 **(c) The chairman of the House Committee on Appropriations, or his**

1           designee.

2                   (d) Two members of the House Committee on Appropriations appointed  
3           by the speaker of the House of Representatives.

4                   (e) The chairman of the Senate Committee on Revenue and Fiscal  
5           Affairs, or his designee.

6                   (f) Two members from the Senate Committee on Revenue and Fiscal  
7           Affairs appointed by the president of the Senate.

8                   (g) The chairman of the House Committee on Ways and Means, or his  
9           designee.

10                  (h) Two members from the House Committee on Ways and Means  
11           appointed by the speaker of the House of Representatives.

12                  (i) The president of the Senate, or his designee.

13                  (j) The speaker of the House of Representatives, or his designee.

14                  (k) The chairman of the House Committee on Commerce, or his  
15           designee.

16                  (l) The chairman of the Senate Committee on Commerce, Consumer  
17           Protection and International Affairs, or his designee.

18                  (m) The chairman of the House Committee on Agriculture, Forestry,  
19           Aquaculture, and Rural Development, or his designee.

20                  (n) The chairman of the Senate Committee on Agriculture, Forestry,  
21           Aquaculture, and Rural Development, or his designee.

22                  (o) The chairman of the House Committee on Health and Welfare, or his  
23           designee.

24                  (p) The chairman of the Senate Committee on Health and Welfare, or his  
25           designee.

26                  (q) The chairman of the House Committee on Natural Resources and  
27           Environment, or his designee.

28                  (r) The chairman of the Senate Committee on Natural Resources, or his  
29           designee.

1                   (2) All appointments to the committee shall be made prior to August 1,  
2                   2016.

3                   (3) The chairmanship of the committee shall rotate every two years  
4                   between the chairman of the Senate Committee on Revenue and Fiscal Affairs,  
5                   or his designee and the chairman of the House Committee on Ways and Means,  
6                   or his designee. The chairman of the Senate Committee on Revenue and Fiscal  
7                   Affairs, or his designee shall serve the first term.

8                   C. The special committee may meet and review exemptions and  
9                   exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters  
10                  2-A and 2-B of this Subtitle, and R.S. 51:1286. Prior to March 1, 2017, the  
11                  special committee shall identify which exemptions or exclusions were enacted  
12                  before January 1, 1975, and review such exemptions or exclusions as follows:

13                  (1) Determine the generally accepted, most effective economic model or  
14                  models which are used to determine the economic impact of a tax exemption or  
15                  exclusion.

16                  (2) Establish criteria for the identification of the high-performing  
17                  exemptions or exclusions, based on the cost of the tax exemption or exclusion  
18                  compared to:

19                         (a) The revenue gained by the state.

20                         (b) The revenue gained by local governments.

21                         (c) The overall economic impact of the tax exemption and exclusion  
22                         expenditure in terms of the number of jobs created by recipients of the  
23                         exemptions and exclusions and by the direct and indirect economic activity  
24                         through the economy.

25                         (d) The comparison between any available original fiscal note and an  
26                         updated fiscal note.

27                  (3) Identify the low-performing or antiquated tax exemptions and  
28                  exclusions.

29                         (4) Submit a report to the House of Representatives and the Senate on

1 or before March 15, 2017, recommending the temporary or permanent sunset,  
2 reduction, reenactment, or repeal of tax exemptions and exclusions. The report  
3 shall include a summary of any possible overall reduction in the sales tax rate  
4 due to the expansion of the tax base. The committee shall also recommend a  
5 schedule for the review of tax exemptions and exclusions.

6 D. The special committee may meet and review exemptions and  
7 exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters  
8 2-A and 2-B of this Subtitle, and R.S. 51:1286. Prior to March 1, 2019, the  
9 special committee shall identify which exemptions or exclusions were enacted  
10 on or after January 1, 1975, and review such exemptions or exclusions as  
11 follows:

12 (1) Determine the generally accepted, most effective economic model or  
13 models which are used to determine the economic impact of a tax exemption or  
14 exclusion.

15 (2) Establish criteria for the identification of the high-performing  
16 exemptions or exclusions, based on the cost of the tax exemption or exclusion  
17 compared to:

18 (a) The revenue gained by the state.

19 (b) The revenue gained by local governments.

20 (c) The overall economic impact of the tax exemption and exclusion  
21 expenditure in terms of the number of jobs created by recipients of the  
22 exemptions and exclusions and by the direct and indirect economic activity  
23 through the economy.

24 (d) The comparison between any available original fiscal note and an  
25 updated fiscal note.

26 (3) Identify the low-performing or antiquated tax exemptions and  
27 exclusions.

28 (4) Submit a report to the House of Representatives and the Senate on  
29 or before March 15, 2019, recommending the temporary or permanent sunset,

1            **reduction, reenactment, or repeal of tax exemptions and exclusions. The report**  
 2            **shall include a summary of any possible overall reduction in the sales tax rate**  
 3            **due to the expansion of the tax base. The committee shall also recommend a**  
 4            **schedule for the review of tax exemptions and exclusions.**

5            Section 2. This Act shall become effective upon signature by the governor or, if not  
 6            signed by the governor, upon expiration of the time for bills to become law without signature  
 7            by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
 8            vetoed by the governor and subsequently approved by the legislature, this Act shall become  
 9            effective on the day following such approval.

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The original instrument was prepared by Leonore F. Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by Thomas L. Tyler.

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#### DIGEST

SB 25 Reengrossed

2016 First Extraordinary Session

Cortez

Present law provides for over 190 exclusions and exemptions to the state sales and use tax.

Proposed law creates the Special Committee on Tax Exemptions and Exclusions to meet and review exemptions and exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters 2-A and 2-B of this Subtitle, and R.S. 51:1286 and provides for the membership of the special committee.

Requires that appointment to the special committee be made prior to August 1, 2016 and that the chairmanship rotate every two years between the chairman of the Senate Committee on Revenue and Fiscal Affairs, or his designee and the chairman of the House Committee on Ways and Means, or his designee.

Provides that the special committee may meet and review exemptions and exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters 2-A and 2-B of this Subtitle, and R.S. 51:1286 and requires that committee identify which exemptions or exclusions were enacted before January 1, 1975, and review the exemptions or exclusions as to the following:

- (1) Determine the generally accepted, most effective economic model or models which are used to determine the economic impact of a tax exemption or exclusion.
- (2) Establish criteria for the identification of the high-performing exemptions or exclusions, based on the cost of the tax exemption or exclusion compared to:
  - (a) The revenue gained by the state.
  - (b) The revenue gained by local governments.
  - (c) The overall economic impact of the tax exemption and exclusion expenditure in terms of the number of jobs created by recipients of the exemptions and exclusions and by the direct economic activity through the economy.
  - (d) The comparison between any available original fiscal note and an updated

fiscal note.

- (3) Identify the low-performing or antiquated tax exemptions and exclusions.

Proposed law requires that the special committee submit a report to the House of Representatives and Senate on or before March 15, 2017 and that this report recommend the temporary or permanent sunset, reduction, reenactment, or repeal of tax exemptions and exclusions. Requires that the report include a summary of any possible overall reduction in the sales tax rate due to the expansion of the tax base and recommend a schedule for the review of tax exemptions and exclusions.

Proposed law authorizes the special committee meet and review exemptions and exclusions to the tax levied pursuant to the provisions of this Chapter, Chapters 2-A and 2-B of this Subtitle, and R.S. 51:1286. Requires that prior to March 1, 2019, the committee identify which exemptions or exclusions were enacted on or after January 1, 1975, and review these exemptions or exclusions as to the following:

- (1) Determine the generally accepted, most effective economic model or models which are used to determine the economic impact of a tax exemption or exclusion.
- (2) Establish criteria for the identification of the high-performing exemptions or exclusions, based on the cost of the tax exemption or exclusion compared to:
  - (a) The revenue gained by the state.
  - (b) The revenue gained by local governments.
  - (c) The overall economic impact of the tax exemption and exclusion expenditure in terms of the number of jobs created by recipients of the exemptions and exclusions and by the direct economic activity through the economy.
  - (d) The comparison between any available original fiscal note and an updated fiscal note.

- (3) Identify the low-performing or antiquated tax exemptions and exclusions.

Proposed law further requires the committee to submit a report to the House of Representatives and Senate on or before March 15, 2019, recommending the temporary or permanent sunset, reduction, reenactment, or repeal of tax exemptions and exclusions and that this report include a summary of any possible overall reduction in the sales tax rate due to the expansion of the tax base with a recommendation of a schedule for the review of tax exemptions and exclusions.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 47:319)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Clarifies the exemption for purchases of gasoline, diesel fuel, or special fuels.
2. Adds exemptions for purchases by state and local governments and purchases of tangible personal property and services for resale.

Summary of Amendments Adopted by SenateSenate Floor Amendments to engrossed bill

1. Removes provisions that sunset of tax exemptions and exclusions beginning July 1, 2017, with various enumerated exceptions.
2. Creates special committee to review exemptions and exclusions of tax exemptions and exclusions without the enumerated exceptions.
  - (a) Provides for membership of the special committee.
  - (b) Requires submission of a report before March 15, 2017, with recommendations as to temporary or permanent sunset, reduction, reenactment, or repeal of exemptions and exclusions.
  - (c) Prior to March 1, 2019, requires that the special committee identify and review which exemptions or exclusions were enacted on or after January 1, 1975, including identifying low-performing or antiquated exemptions and exclusions.
  - (d) Requires submission of a report on or before March 15, 2019, with recommendations for the temporary or permanent sunset, reduction, reenactment, or repeal of tax exemptions and exclusions. Requires that this report include a summary of any possible overall reduction in the sales tax rate due to the expansion of the tax base and a recommendation of a schedule for the review of tax exemptions and exclusions.
3. Changes effective date to be effective upon signature by the governor.