



STATE OF LOUISIANA
 Legislative Fiscal Office
BATON ROUGE

Post Office Box 44097
 Capitol Station
 Baton Rouge, Louisiana 70804
 Phone: 225.342.7233

Alan M Boxberger
 Legislative Fiscal Officer

TO: The Honorable Phillip R. DeVillier, Speaker of the House

FROM: Benjamin Vincent, Chief Legislative Economist
 Alan M. Boxberger, Legislative Fiscal Officer

DATE: October 7, 2024

SUBJECT: Preliminary Analysis of Draft Legislation – Sales Tax: Services Taxability

Summary

Expenditures	2024-25	2025-26	2026-27	2027-28	2028-29
State General Fund	0	0	0	0	0
Self-Generated Revenues	Increase	Increase	Increase	Increase	Increase
Dedications/Other	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Funds	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase

Revenues	2024-25	2025-26	2026-27	2027-28	2028-29
State General Fund	Increase	Increase	Increase	Increase	Increase
Self-Generated Revenues	Increase	Increase	Increase	Increase	Increase
Dedications/Other	Increase	Increase	Increase	Increase	Increase
Federal Funds	0	0	0	0	0
Local Funds	Increase	Increase	Increase	Increase	Increase
Annual Total	+138,000,000	+413,000,000	+502,000,000	+502,000,000	+502,000,000

Expenditure Explanation and Assumptions

LDR reports no anticipated need for any additional positions or resources, despite certain increased demand for taxpayer assistance required by significant new taxation in this proposed bill. Increased collections will rely on taxpayer compliance, and effectively supporting such compliance will likely require increased enforcement expenditures, potentially materially. Any expenditure increases would be financed via SGR out of current collections, ultimately reducing SGF revenue mechanically.

Revenue Explanation and Assumptions

Current law generally excludes services from the sales and use tax base, and subjects a number of services to sales and use taxation explicitly by listing them as taxable services in statute. The proposed bill adds a list of services to be included into the sales and use tax base, beginning with transactions made on February 1, 2025.

Note: This analysis reflects bill draft serialized as “DRAFT 10/1/24 10:40 PM”

Any estimate of entirely-new tax collections, and the degree to which budgets rely on anticipated new collections, should be considered with significant caution. Historically, fiscal caution has often precluded the Revenue Estimating Conference from formally recognizing new revenues, until a historical baseline of actual collections had been established, informing a reliable estimate. When exercised, this caution has prevented new revenues from being budgeted and spent prior to collections that may have proved disappointing.

Authoritative data specifically quantifying activities defined in this proposal does not exist, however existing data for activities with significant overlap is available. Various ad hoc analyses that attempt to match language in this proposal with various activities as defined and measured in existing data have yielded an estimated range of \$11-\$18 billion in sales that could potentially be taxable.

Purchases that are made by households, businesses, farms, and nonprofits are interpreted as taxable for purposes of this analysis. Available customer type data implies that purchases by federal, state, or local government varies by service type, but typically tends to comprise 2-13% of sales in relevant categories.

Assuming the 4.0% tax rate provided in current law (except for the 4.45% for the FY25 partial-year impact), effective enforcement, high compliance, and 7% of relevant purchases being made by untaxable participants such as federal government, these figures would imply a range of revenue impacts of \$485-\$670 million.

Realistic compliance levels may result in significant reductions, particularly in early stages of the tax base expansion. Prior estimates of compliance impacts have implied a 30% reduction in collections. Such an assumption would reduce estimated impacts to \$340-\$470 million, while an assumption of a 15% compliance impact would imply a range of \$415-\$570 million.

Prior to compliance effects, LFO's preferred impact estimate on tax collections would be approximately \$590 million. LFO assumes a compliance deficiency impacting 30% of collections during the effective five-month FY25 period and in FY26, and assumes a 15% compliance effect in FY27 and beyond. These assumptions result in **estimated revenue impacts of +\$172 million in the five effective months of FY25, +\$413 million in FY26, and +\$502 million in FY27**. These figures are represented in the table as "Annual Totals", as some portion (~2%) of new revenues will be dedicated or reported as self-generated revenue, instead of general fund revenue.

These figures do not incorporate any growth assumptions, merely reflecting data intended to represent a typical recent year. Impacts, net of growth assumptions, would be reflected in REC projections that incorporate the proposal should it become law.

A list of proposed newly-taxed services, and proposed clarifications that are expected to increase collections related to some activities that are already partially taxable, was constructed by LDR and is included on the following page.

Newly-taxable Services Included in Proposed Bill:

1. Storage provided for boats and vessels (less than 50-ton load displacement) and trailers
2. Auto club services and fees, including but not limited to, road and travel services
3. Car wash services
4. Coin-operated service machines such as shoeshines, lockers, blood pressure testing, car washes, compressed air or vacuum cleaning
5. Computer software installation, repair, maintenance, and training (when software is taxable)
6. Condominium time-share and exchange services
7. Dating and social matching services and marriage bureaus
8. Delivery, shipping, freight, and transportation associated with a taxable sale of tangible personal property
9. Non-medical diet and weight reduction services, including commercial weight loss services not prescribed by a health care provider
10. Immovable property repair, maintenance, and installation
(Includes external cleaning, janitorial, pest control, pool cleaning)
(Does not include capital improvements: new construction, reconstruction)
11. Information services
12. Interior decorating and design services, including painting
13. Intrastate transportation - limousine, bus, van, taxi cab, and rideshare services
14. Landscaping, lawn care, and horticulture
15. Linen supply services
16. Lobbying services
17. Machine and equipment operators
18. Mailing services
19. Marina services provided with respect to boats and vessels of less than 50-ton load displacement
20. Personal fitness training services
21. Pet grooming, boarding, sitting, training, and obedience services
22. Photography and photographic studio services, including sitting fees
23. Photofinishing and film development
24. Private process server services
25. Public opinion and research polling services
26. Quilting, embroidery, and monogramming services
27. Repossession services
28. Restroom operations and comfort station services
29. Security services (locksmith, private investigation, background, armored car) and alarm system monitoring
30. Personal shopping services for individuals
31. Social event planning and coordination services and catering services
32. Spa services, massages by massage parlors, and steam baths
33. Rental of space for meetings, conventions, short-term business uses
34. Furnishing of storage of tangible personal property, except property held for sale and the lease/rental of entire buildings
35. Skin tanning services
36. Body modification services, including tattooing, piercing, scarification, and branding
37. Travel and travel package services, including travel agents and travel clubs
38. Warranty, extended warranty, and service contracts
39. Waste collection and disposal services (does not include public or private municipal waste management)
40. Wrecking and towing services

Exemption Repeals, Clarifications, & Expanded Taxability in Proposed Bill:

1. Provides that the sales of hotel rooms and other similar services by management companies, intermediaries, etc. are taxable services and that sales tax is due on the total charge, including any service and facilitator fees
2. Provides that the sales of admissions include charges for participation in games and amusement activities and other entertainment, including coin-operated games and devices
3. Clarifies that tax is due on the total charges including any service, facility, processing, delivery, or other similar fees or charges
4. The exclusion of radio and television audio and video programming services from taxation as telecommunication services is repealed