

2006-2007

# TAX EXEMPTION BUDGET



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2006-2007

**TAX  
EXEMPTION  
BUDGET**

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# Annual Tax Exemption Budget

## Part 1

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### *Introduction*

#### **Statutory requirements**

The Louisiana Department of Revenue is required by Section 1517 of Title 47 of the Louisiana Revised Statutes to prepare an annual tax exemption budget. This report must include the following information pertaining to the state's tax exemptions:

1. Listing of each exclusion, exemption, credit, refund, preferential tax rate, or deferred tax liability
2. Legal citation
3. Purpose
4. Estimate of the revenues lost for the preceding three years
5. Estimate of the revenues lost for the current and ensuing fiscal year
6. Estimated cost of administering and implementing each exemption for the five years reflected in this report.

The Department is able to provide all of the required information except for the costs of administering and implementing each tax exemption. We do not have the data available to estimate these costs with any degree of accuracy.

In addition to the above data, this report must also contain the following information as it applies to specific tax exemptions:

- A determination of the tax exemption's effectiveness in fulfilling the purpose for which it was enacted; i.e., did the intended recipient benefit and, if not, who did benefit;
- An assessment as to whether the tax exemption is the most fiscally effective means of achieving its purpose;
- An evaluation as to whether unintended or inadvertent effects, benefits, or harm was caused by the tax exemption, including whether the tax exemption conflicts with other state statutes; and
- An evaluation as to whether the tax exemption simplifies or complicates the state tax statutes.

#### **Contents of the Report**

In addition to the Introduction (Part 1), the report consists of an Overview (Part 2), a Five-Year Estimate of Revenue Loss (Part 3), and a Listing of Exemptions (Part 4).

Part 2, the Overview, provides a general discussion of the tax exemption report and additional information on tax collections by the Department of Revenue.

Part 3, the Five-Year Estimate of Revenue Loss, is a listing of each exemption and the fiscal losses for the preceding three years, the current year, and the ensuing year as required. Preceding the listing is a summary of all taxes arranged in order of the magnitude of the revenue loss.

Part 4, the Listing of Exemptions, is arranged alphabetically by major tax type and provides the following general information on each tax exemption: the legal citation, legislative origin, effective date, purpose, and administration. Each section begins with an index listing individual tax exemptions, the legal citation, and page number. The index is followed by a general discussion of the tax, the tax base, rate of imposition, and any recent significant changes to its imposition or administration.





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# Overview

## Part 2

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### *Introduction*

The state's tax laws authorize a large number of exemptions, exclusions, deductions, credits, preferential tax treatments, and tax deferrals that substantially reduce the tax collection revenues. These special provisions are designed to encourage certain activities or to limit the tax burden on specific individuals or endeavors. The purpose of this report is to provide a comprehensive listing of all tax exemptions and to quantify the fiscal cost of the various tax exemptions, exclusions, deductions, and credits.

### **What is a tax exemption?**

For the purpose of this report, the term *exemption* is used to describe all exemptions, exclusions, deductions, credits, preferential tax treatments, and tax deferrals. Tax exemptions are tax dollars that are not collected and result in a loss of state tax revenues available for appropriation. In this sense, the fiscal effect of tax exemptions is the same as a direct fund expenditure. This report includes all tax exemptions provided for by state statutes for taxes administered by the Department of Revenue.

### **State exemptions versus total exemptions**

There are several statutory tax exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions are separately grouped at the end of each tax section.

### **Measuring the tax exemptions**

In order to accurately interpret the data contained in this report, the methods of calculation and assumptions should be noted.

All revenue loss estimates in this report are based on information gathered from various sources. The most reliable information was obtained from the actual tax return data. Unfortunately, this information was not always available and other sources were used. This was the case for many of the sales tax exemptions.

In estimating the fiscal effect for each exemption, the following assumptions were made:

- Each tax exemption revenue loss was considered separately and it was assumed that all other elements of the tax system remained unchanged.
- The calculations of the revenue loss for a specific tax exemption did not consider any side effects that could result from the removal of any other exemption in another tax.
- Each estimate was made in isolation. If two or more items were eliminated within the same tax, each adjustment was computed independently.
- All estimates are only as good as the assumptions used to complete the necessary calculations. If little data was available, the estimates included numerous assumptions.

### **Terminology**

For the purposes of this report the following terminology is used to describe the fiscal effects:

- *Negligible* is used if the tax exemption was estimated at \$10,000 or less;
- *No data* is used to indicate that data was not available from any source to estimate the past revenue loss;
- *Unable to anticipate* is used to indicate that data was not available from any source to predict the future revenue loss; and,
- *NRR* is used to indicate that there is no reporting requirement for the data. This was generally the case for income tax and corporation franchise tax exemptions. Many of the corporations exempted are not required to file tax returns. For this reason, we do not have data available to calculate the fiscal effect for these exemptions.

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# Overview

## Part 2

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### **Sales Tax – A special situation**

Estimation of the fiscal effect for sales tax exemptions is complicated by the suspension of exemptions beginning in 1986.

In 1986, the effectiveness of the exemptions was temporarily suspended for one year under a House Concurrent Resolution resulting in the taxation of sales, services, and rentals that had previously been nontaxable, including food and utilities. The suspended exemptions were taxed at the rate of one percent. This suspension has been continued through a series of Resolutions and Acts at various rates of suspension. The current suspension of exemptions was passed in the 2004 1st Extraordinary Session. Special Legislative Sessions to extend the suspension through June 30, 2009.

Until the suspension of the exemptions began in 1986, the primary method of extending any tax benefits to taxpayers was through the exemption statutes under R.S. 47:305. In addition, the definitions under R.S. 47:301 contain exclusions that are not affected by the suspension of exemptions. In order to extend tax relief to taxpayers, the Louisiana Legislature began enacting exclusions from the tax under the definitions in R.S. 47:301, rather than the exemptions under R.S. 47:305. Some of the exclusions replaced existing exemptions that were taxable under the suspension of exemptions. This action resulted in two statutes affecting the same subject. In 1998, the Louisiana Legislature repealed most of these exemptions leaving only the exclusion as the statutory authority.

Legislation to suspend most exemptions at the four percent state sales tax rate for fiscal years 2005-2009 was enacted during the 2004 1st Ex. Sess., Act 4. Effective July 1, 2003, the state sales tax rate on sales of steam, electric power or energy, water, and natural gas for other than residential use is taxed at 3.8 percent. On January 1, 2006 the state-sales tax rate on sales of electric power or energy and natural gas was reduced to 3.3 percent.

There are some special words or terms used in the sales tax section. These terms and the meaning of these terms are as follows:

- “Suspended” is used to indicate that a particular exemption is being fully taxed because of the suspension of the exemption; hence no fiscal loss. This term is used for the fiscal impacts in the fiscal year 2006-2007 and 2007-2008.
- “See Number (N)” indicates that the fiscal impact for that exemption is included with the fiscal impact of the referenced exclusion/exemption. This will apply to those exemptions that have been superceded by an exclusion or grouped with a like exclusion/exemption.

### **Other Credits – Corporation Income and Franchise Taxes**

Several of the corporation income tax and franchise tax credits are combined on one line on the tax return. For this reason, we are unable to calculate the individual losses for these credits, but we are able to determine the total revenue loss. We have grouped these credits together under the heading Other Credits and the total revenue loss is shown on the table.

### **Tax collections versus tax exemptions**

The largest fiscal losses due to tax exemptions stem from five major taxes: sales tax; income tax, which includes individual and corporation; severance taxes; inheritance tax; and corporation franchise taxes. The bar graph on page 6 compares the revenue loss from these tax exemptions with the tax collections for FY 2005-2006. The comparison includes only the state tax exemptions; exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements are omitted.

In theory, the actual tax collections plus the tax exemption revenue losses should equal the total potential tax collections. The tax exemption revenue losses were divided by the total potential collections to arrive at the percentage of tax loss.

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# Overview

## Part 2

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### **Top tax revenue losses**

Sales, individual income, and corporation income taxes are the taxes with the largest fiscal losses due to statutory exemptions. Analyses of the various exemption categories for these taxes for FY 2005-2006 can be found on pages 6 through 9. In categorizing the various exemptions, only state tax exemptions were included. Exemptions that are prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements were not considered.

### **Comparison of major tax exemptions**

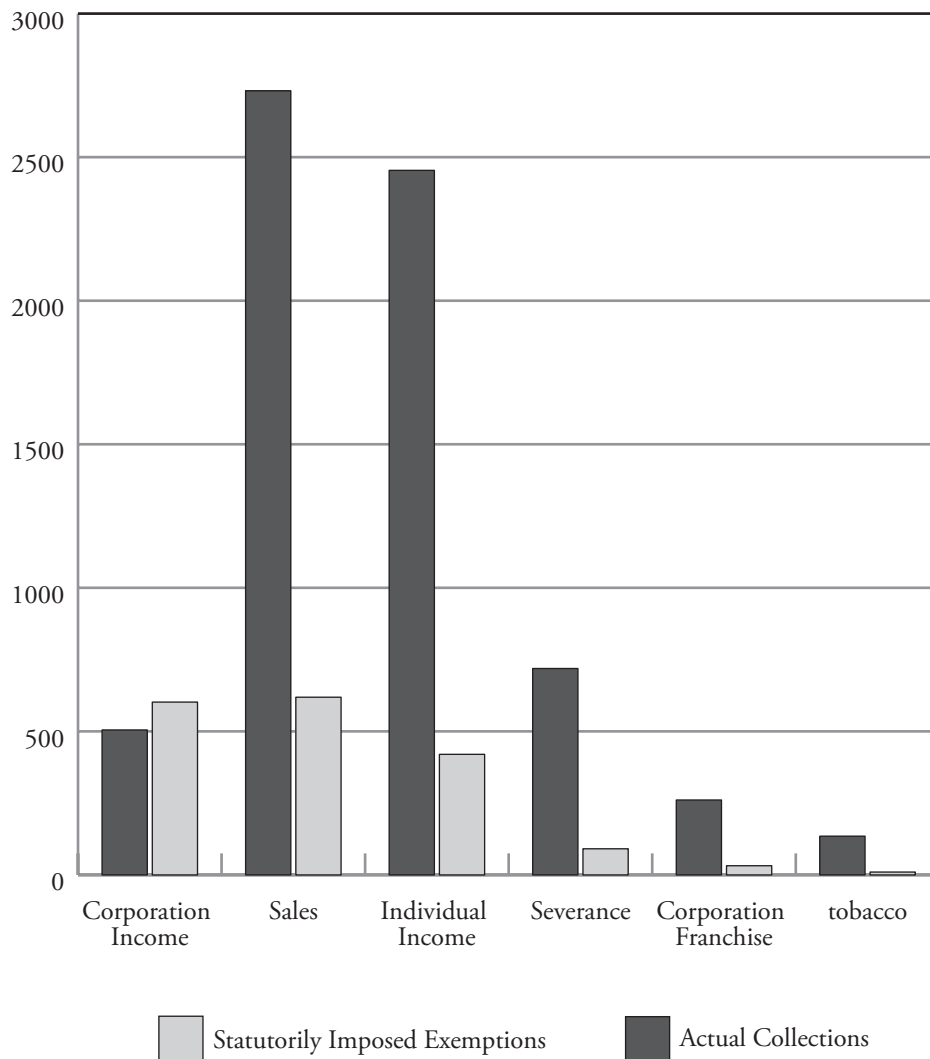
Comparisons of the major tax exemptions for the sales, individual income, and corporation income taxes with the exemptions allowed in southeastern states can be found on pages 10 through 12. In categorizing the major exemptions, statutory and constitutionally protected exemptions were considered.

# Overview

## Part 2

### Analysis of Tax Collections vs. Exemptions

#### FY 2005-06



	Corporation Income	Sales	Individual Income	Severance	Corporation Franchise	Tobacco	In Millions of Dollars
Actual Collections	\$505	\$2,731	\$2,454	\$719	\$261	\$135	
Estimated Exemptions	\$602	\$619	\$420	\$91	\$32	\$10	
Total Potential Collections	\$1,107	\$3,350	\$3,073	\$810	\$293	\$145	
Percentage of tax loss	54.3%	18.4%	13.6%	11.2%	10.9%	6.8%	

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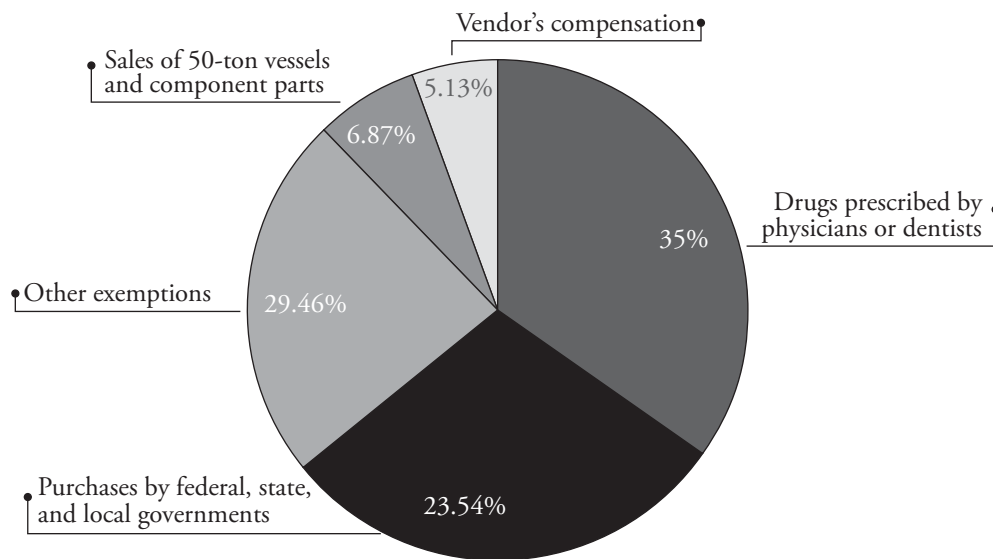
# Overview

## Part 2

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### Top Tax Exemptions 2005-06

#### Sales Tax (Statutorily imposed)



Drugs prescribed by physicians or dentists*	\$216,573,515	35%
Purchases by federal, state and local governments	\$145,631,194	23.54%
Sales of 50-ton vessels and component parts	\$42,477,500	6.87%
Vendor's compensation	\$31,750,598	5.13%
Other exemptions	\$182,234,709	29.46%
Total exemptions	\$618,667,516	100.0%

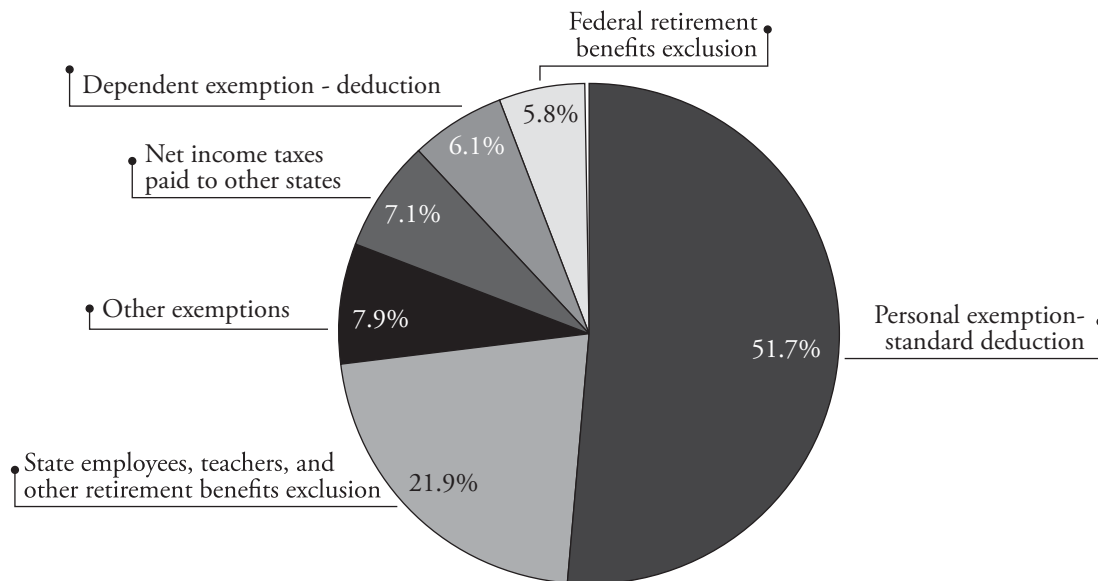
\*Drugs prescribed by physicians or dentists also includes other medical devices that are exempt from sales tax as the data does not allow for the fiscal impact to be determined for each item separately.

# Overview

## Part 2

### Top Tax Exemptions 2005-06

#### Individual Income Tax (Statutorily imposed)



Personal exemption - standard deduction	\$217,316,000	51.7%
State employees, teachers, and other retirement benefits exclusion	\$92,132,800	21.9%
Net income taxes paid to other states	\$29,892,000	7.1%
Dependent exemption - deduction	\$25,661,000	6.1%
Federal retirement benefits exclusion	\$22,284,400	5.8%
Other exemptions	\$33,006,950	7.9%
Total exemptions	\$420,293,150	100.0%

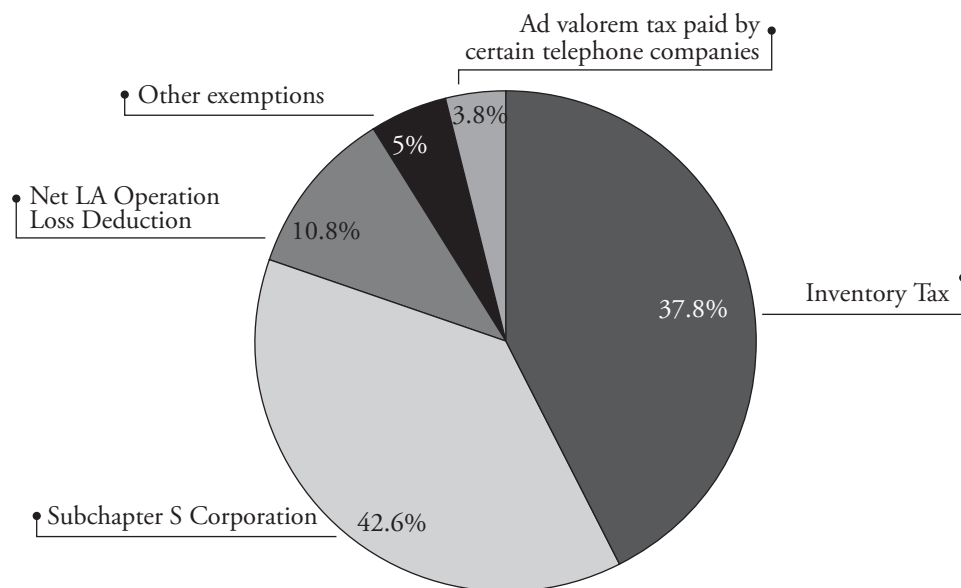
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# Overview

## Part 2

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### Top Tax Exemptions 2005-06 Corporation Income Tax (Statutorily imposed)



Subchapter S Corporation	\$256,480,600	42.6%
Inventory tax	\$227,374,680	37.8%
Net LA operating loss deduction	\$64,696,000	10.8%
Ad valorem tax paid by certain telephone companies	\$22,637,000	3.8%
Other exemptions	\$30,538,620	5.0%
Total exemptions	\$601,726,360	100.0%

# Sales Tax

## Comparison of Major Tax Exemptions with Southeastern States

Louisiana	Alabama	Arkansas	Florida	Georgia	Kentucky	Mississippi	North Carolina	South Carolina	Tennessee	Texas	Virginia	West Virginia
<b>Exemption</b>												
1. Drugs, medical equipment and supplies, insulin, etc.	Exempt; includes prescription drugs; durable medical equip. only when under order of doctor by a provider to Medicare recipient	Exempt prescription drugs, insulin strips, prescription medical equip. and supplies	Exempt	Exempt prescription drugs, insulin, insulin syringes, blood measuring devices, and wheelchairs by the totally disabled. Exempt durable medical equip. when paid for with Medicaid or Medicare funds	Exempt prescription drugs, medical oxygen, insulin, diabetic supplies, and prosthetic devices <sup>19</sup>	Exempts prescription drugs, and the sale of home medical supplies and equipment paid for by Medicare or Medicaid	See note <sup>1</sup>	Medicine and prosthetic devices sold by prescription, prescription medicines & therapeutic radiopharmaceuticals used in the treatment of cancer or related diseases <sup>24</sup>	Exempt	Exempt	Exempt	Exempt
2. Food for further preparation	Taxable	Taxable	No Tax	Exempts food as defined by Federal Food Stamp Act for off premises consumption	Exempt	Taxable <sup>3</sup>	No state sales tax; all counties charge a 2% local sales tax	Taxable at 5% unless eligible food items under the Federal Food Stamp Act <sup>28</sup>	Taxable at 6%; exempt when purchased with food stamps	Exempt	Taxable at 1.5%, for a combined state and local rate of 2.5%	Taxable at reduced rates <sup>27</sup>
3. Trade-ins of like-kind property	Taxable Exc.MV	Taxable Exc.MV	No Tax	No Tax	No Tax	No Tax	Taxable Exc. MV	No Tax	No Tax	No Tax	No Tax	No Tax
4. Electric power or energy	Taxable	Taxable <sup>21</sup>	Taxable <sup>4</sup>	Taxable <sup>17</sup>	Taxable <sup>16</sup>	Taxable <sup>5</sup>	Taxable	Taxable <sup>6</sup>	Taxable <sup>7</sup>	Taxable <sup>8</sup>	Exempt <sup>22</sup>	Exempt
5. Natural gas	Taxable	Taxable	Taxable <sup>4</sup>	Taxable <sup>18</sup>	Taxable <sup>16</sup>	Taxable <sup>5</sup>	No Tax <sup>14</sup>	Taxable <sup>6</sup>	Taxable <sup>7</sup>	Taxable <sup>8</sup>	Exempt <sup>9</sup>	Exempt
6. 1.1% vendor's compensation No Maximum	5%-up to \$100; 2%-on remaining \$400 max	2% prompt payment discount \$1,000 per month max	2.5% on \$1,200 tax/max	3% on first \$3,000/tax; 0.5% over \$3,000	1.75% on \$1,000 tax; 1% on amounts over \$1,000 w/cap of \$1,500 per return, effective 7/1/05 <sup>26</sup>	2% \$50 max per return; \$600 max per year	No	3% less than \$100/tax; 2% over; max \$3,000 per year; \$3,100 if return filed electronically <sup>25</sup>	No Repealed July 1, 2000	.5% for timely filed; 1.25% for prepayments	Varies <sup>10</sup>	No
7. Property purchased for exclusive use outside the state (off-shore use)	Taxable unless delivered; special exem. for offshore drilling equip.	Taxable	No Tax <sup>12</sup>	Taxable <sup>13</sup>	Taxable unless delivered	Exempt	Exempt	Taxable	Taxable	Exempt	Taxable <sup>23</sup>	Taxable

<sup>1</sup> Exempts Prescription Drugs, Insulin, Nonprescription Drugs sold on written prescription, durable medical equipment covered under Medicare/Medicaid, certain medical aids, nutritional supplements sold by chiropractors and orthopedic supplies.

<sup>3</sup> Unless purchased with food stamps or purchased with food instruments issued to the Mississippi Band of Choctaw Indians

<sup>4</sup> Residential utilities are exempt; non-residential utilities are taxed at 7% unless used in an industrial manufacturing process at a fixed location within the state

<sup>5</sup> Commercial usage – 7%, residential usage – 0%, industrial usage – 1.5%

<sup>6</sup> Unless used in the manufacture of tangible personal property for sale, used in the production of poultry, livestock, swine and milk and used for residential purposes

<sup>7</sup> Residential energy fuels are exempt; fuels used in manufacturing are taxed at a reduced rate (1.5%)

<sup>8</sup> Exemptions for Residential, Manufacturing, Agricultural and Mining Use

<sup>9</sup> Natural gas delivered to customers through lines, mains, or pipes is exempt

<sup>10</sup> 4% of 3% tax on first \$62,000 taxable sales; 3% of 3% tax on taxable sales between \$62,000 and \$208,000; and 2% of 3% tax on taxable sales over \$208,000

<sup>12</sup> as long as possession is taken outside the state

<sup>13</sup> exempts consumables and motor fuels placed in ships plying the high seas in interstate or foreign commerce

<sup>14</sup> No Tax: Sales tax was repealed and replaced by excise tax.

<sup>16</sup> Residential is exempt, industrial manufacturing capped at energy costs up to 3% of cost of production

<sup>17</sup> Georgia exempts the sale of electricity sold to farmers for exclusive use in a poultry structure and exclusive use for irrigation systems on row crops

<sup>18</sup> Georgia exempts the 4% tax on sales of natural gas sold to electricity manufacturers

<sup>19</sup> Prior to July 1, 2004, drugs administered by for profit healthcare providers, excluding hospitals, were taxable

<sup>21</sup> Sale of first 500 kwh of electricity per month exempt for residential customers with

HH income below \$12,000 per year

<sup>22</sup> Effective 9/1/2004, machinery, tools and equipment used by a public service corporation in the generation of electric power will be subject to sales and use tax.

<sup>23</sup> Exemption for fuel and supplies for use or consumption aboard ships or vessels plying the high seas, in interstate or foreign commerce, when delivered directly to such ships or vessels.

<sup>24</sup> For complete list of items that qualify for exemption see 12-26-2120 (28) (a)-(e)

<sup>25</sup> A maximum of \$10,000 when not required to register but collect the tax voluntarily

<sup>26</sup> For filing periods 7/1/2004 through 6/30/05, no cap.

<sup>27</sup> Taxable at reduced rate of 5% effective 1/1/2006; 4% effective 7/1/2007; and 3% effective 7/1/2008

<sup>28</sup> Unprepared food eligible to be purchased under the Federal Food Stamp Act is taxed at 3% effective 10/1/06.



# Individual Income Tax

## Comparison of Major Tax Exemptions with Southeastern States

Louisiana	Alabama	Arkansas	Georgia	Kentucky	Mississippi	North Carolina	South Carolina	Virginia	West Virginia
<b>Exemption</b>									
1. Personal exemption \$4,500 S/MS; \$9,000 MJ/HH (This is a combined personal exemption/standard deduction)	\$1,500 S \$3,000 M \$3,000 HH \$1,500 MS	Tax Credit \$20 S/HH \$40 MJ \$20MS	\$2,700 each person	Tax credit \$20 per taxpayer \$40 additional credit for persons age 65 or over or blind	\$6,000 S \$12,000 MJ \$8,000 HH	\$2,500 <sup>1</sup> per taxpayer (SAF)	\$3,100 per taxpayer (SAF)	\$900 per taxpayer increasing to \$900 in taxable year 2005	\$2,000 per taxpayer <sup>11</sup>
2. Standard deduction (Louisiana has a combined personal exemption/standard deduction - See figures above.)	20% of AGI maximum \$4,000/MJ or \$2,000 all others	\$4,000/MJ \$2,000 all others	\$2,300/S or HH \$3,000/MJ \$1,500/MS <sup>12</sup>	\$1,970 per taxpayer indexed annually	\$2,300/S \$4,600/MJ \$3,400/HH \$2,300/MS	\$3,000/S \$6,000/MJ \$3,000/MS \$4,400/HH	\$4,850/S \$9,700/MJ \$4,850/MS \$7,150/HH (SAF)	\$3,000/S \$6,000/MJ \$3,000/MS	No
3. Excess federal itemized deduction (Repealed for taxable periods beginning after 12/31/2002)	(SAF) FICA deductible, medical limited to 4% instead of 7.5%	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax for states other than Georgia	(SAF) Cannot deduct state tax <sup>13</sup>	(SAF) Cannot deduct state tax, Mississippi Gaming losses	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax	No
4. Dependent exemption-deduction \$1,000 per dependent	\$300 per dependent	\$20 tax credit per dependent	\$3,000 per dependent	\$20 tax credit per dependent	\$1,500 per dependent	2500 <sup>1</sup> per dependent	(SAF) \$3,100 per dependent <sup>2</sup>	\$900 per dependent	\$2,000 per dependent
5. State employees, teachers, and other	Yes, all defined benefit plans	No <sup>3</sup>	No <sup>3</sup>	Yes <sup>4</sup>	Yes	Yes <sup>5</sup>	No <sup>6</sup>	Yes	Yes <sup>7</sup>
6. Federal retirement benefits exclusion	Yes	No <sup>3</sup>	No <sup>3</sup>	Yes <sup>4</sup>	Yes	\$4,000 max exclusion <sup>8</sup>	No <sup>9</sup>	No <sup>10</sup>	Yes <sup>7</sup>
7. Federal income tax deduction	Yes	No	No	No	No	No	No	No	No

SAF=same as federal  
MS=married filing separate

HH=head of household  
S=single

MJ=married filing joint

Florida, Tennessee, and Texas do not have an individual income tax; Florida and Tennessee tax interest and dividend income from certain intangible assets.

<sup>1</sup> \$2,000 if AGI is equal to or greater than threshold amount for filing status.

<sup>2</sup> Children under six years of age receive a double exemption.

<sup>3</sup> Georgia provides for a retirement income exclusion of up to \$15,000 for any taxpayer who is age 62 or older; or totally disabled. Up to \$4,000 of earned income may be part of the exclusion amount.

<sup>4</sup> State, local, and federal retirement income for service performed after 12/31/97 is treated the same as private pension income (up to \$41,110 excludable)

<sup>5</sup> \$4,000 maximum exclusion for state or local government retirement benefits; \$2,000 maximum exclusion for private retirement benefits. Max of \$4,000 for all retirement benefits, except that North Carolina state and local government employees who had five or more years of creditable service as of August 12, 1989 may exclude all retirement benefits from certain defined benefit plans, which include most state-sponsored retirement systems.

<sup>6</sup> All persons age 65 or older are eligible for an \$11,500 deduction.

<sup>7</sup> Complete exclusion for benefits received under any WV police, WV fireman's retirement system, WV State Police death, disability and retirement fund, WV deputy sheriff retirement system. \$2,000 exclusion for federal, military and WV public employees and teachers retirement systems; \$8,000 exclusion for senior citizens (\$16,000 on joint returns). Military retirees are also entitled to an additional exclusion (For tax years beginning after 12/31/2000 and ending prior to 1/1/2003, the additional exclusion equals 2% multiplied by the number of years of active duty multiplied by the first \$30,000 of military retirement income. For tax years beginning after 12/31/02, the additional exclusion equals the first \$20,000 of military retirement income.)

<sup>8</sup> Max of \$4,000 for all retirement benefits, except that Federal government employees who had five or more years of creditable service as of August 12, 1989 may exclude all retirement benefits from certain defined benefit plans, including the Federal Employees' Retirement System and the United States Civil Service Requirement System.

<sup>9</sup> Social Security and railroad retirement are not taxable. \$3,000 deduction from retirement income, \$10,000 deduction from retirement income upon reaching sixty-five years of age – Also, upon reaching sixty-five years of age \$15,000 deduction from any taxable income reduced by any retirement income deduction.

<sup>10</sup> If an individual is age 65 or older prior to taxable year 2004, a \$12,000 deduction is allowed. If an individual is age 62-64 in taxable year 2004, a \$6,000 deduction is allowed until age 65, when a \$12,000 deduction, subject to a reduction based on income, is allowed. If an individual is below age 62 prior to taxable year 2004, no deduction is allowed until age 65, when a \$12,000 deduction, subject to a reduction based on income, is allowed.

<sup>11</sup> Except for those that are claimed as a dependent on another taxpayer's return. The exemption for a taxpayer claimed as a dependent on another person's return is limited to \$500.

<sup>12</sup> Additional \$1,300 deduction each for taxpayer/spouse age 65 or older; \$1,300 deduction each for taxpayer/spouse that is blind.

<sup>13</sup> (SAF) Cannot deduct state tax, foreign income, or state or local sales.

# Corporation Income Tax

## Comparison of Major Tax Exemptions with Southeastern States

Louisiana	Alabama	Arkansas	Florida	Georgia	Kentucky	Mississippi	North Carolina	South Carolina	Tennessee	Texas	Virginia	West Virginia
<b>Exemption</b>												
1. Net operating loss deduction (Carryback 3 years, carryforward 15 years)	Yes forward 15 years	Yes forward 5 years	Yes forward 15 years	Yes forward 20 years; carryback 2 years	Yes, forward 20 years \$0 carryback	Yes forward 20 years; carryback 2 years	Yes forward 15 years <sup>1</sup>	Yes forward 15 years	Yes forward 15 years	Yes forward 5 years	Yes based upon federal provisions <sup>5</sup>	Yes <sup>2</sup> , based upon Federal provisions
2. Subchapter S Status recognized	Yes	Yes	Yes	Yes	Yes, but taxed as a corporation	Yes	Yes	Yes	No	No	Yes	Yes
3. Percentage depletion (22% of gross income limited to 50% of net income from the property)	12% of gross income from property <sup>4</sup> , limited to 50% of net income from property	Same as federal	No	Same as federal	Yes	No	Yes <sup>3</sup>	No	No	Same as federal	No	No
4. Federal income tax deduction	Yes	No	No	No	No	No	No	No	No	No	No	No

<sup>1</sup> For economic loss only; no carryback.

<sup>2</sup> Carryback and carryforward provisions are the same as federal provisions. However, no more than \$300,000 of net operating loss from any tax year may be carried back to any previous taxable year.

<sup>3</sup> In excess of cost depletion allowance on North Carolina property.

<sup>4</sup> Gross Income excludes rents or royalties. Limit computed on net income without allowance for depletion. In no case less than federal. In case of leases, equitably apportioned between lessor or lessee. (40-18-16(b)(2))

<sup>5</sup> For years 2001 and 2002 corporations limited to two-year carryback, can carryforward until utilized

# Five-Year Estimated Revenue Loss

Part 3



# Summary of all Taxes (Statutorily imposed exemptions only) Five-Year Revenue Loss

Page	Tax type (Listed in order of magnitude by FYE 6-06)	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
16	Sales tax	\$470,704,040	\$503,962,987	\$618,667,516	\$616,040,750	\$670,681,600
29	Income tax - corporation	\$476,174,815	\$514,580,710	\$601,726,360	\$614,262,000	\$632,425,000
33	Income tax - individual	\$434,291,990	\$431,976,600	\$420,293,150	\$671,170,500	\$501,104,400
37	Natural Resources - severance	\$77,695,000	\$112,381,000	\$90,647,000	\$104,290,000	\$119,934,000
39	Tax incentives and exemption contracts	\$28,722,151	\$98,387,881	\$56,788,948	No data	No data
40	Corporation franchise tax	\$9,576,743	\$9,438,000	\$32,220,800	\$54,914,000	\$77,712,000
42	Tobacco tax	\$9,357,100	\$9,639,964	\$9,800,000	\$9,700,000	\$9,700,000
43	Petroleum products tax	\$6,938,000	\$6,955,000	\$6,850,000	\$12,850,000	\$12,850,000
44	Gift tax	\$3,557,000	\$3,801,000	\$2,469,000	\$2,541,300	\$2,616,600
45	Inheritance tax	\$12,707,800	\$6,509,600	\$2,276,000	\$2,158,500	\$2,046,000
46	Liquors - alcoholic beverage taxes	\$1,036,000	\$1,057,600	\$1,784,000	\$1,825,000	\$1,825,000
47	*Public utilities and carriers taxes	\$675,000	\$675,000	\$675,000	\$675,000	\$675,000
47	*Telecommunications tax	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
47	*Hazardous waste disposal tax	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
<b>Total tax revenue loss</b>		\$1,531,485,639	\$1,699,415,342	\$1,225,580,258	\$1,474,435,800	\$1,360,9938,000

\* Included on the miscellaneous tax table

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exclusions</b>					
1. Purchases by pari-mutuel race tracks	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
2. Purchases by off-track wagering facilities	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
3. Purchases, services and rentals for construction of sewerage or waste water treatment facility	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
4. Isolated or occasional sales of tangible personal property	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
5. Installation charges on tangible personal property	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
6. Installation of board roads to oil-field operators	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
7. Manufacturers rebates on new motor vehicles <sup>1</sup>	\$18,646,618	\$18,473,535	\$19,912,442 <sup>1</sup>	\$20,310,600	\$20,716,800
8. Manufacturers rebates paid directly to a dealer	\$2,395,000	\$2,442,900	\$2,491,750 <sup>2</sup>	\$2,541,500	\$2,592,300
9. Leases by railway companies and railroad corporations when they act as lessees	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
10. Purchases of manufacturing machinery and equipment	***	\$3,294,395 <sup>2</sup>	\$23,278,378 <sup>2</sup>	\$23,743,900	\$24,218,700
11. Purchases of electric power and natural gas by paper or wood products manufacturing facilities	***	***	\$6,246,110 <sup>2</sup>	\$6,371,000	\$6,498,400
12. Room rentals at religious camp and retreat facilities	***	Negligible	Negligible	Negligible	Negligible
13. Rentals or leases of certain oil-field property to be re-leases or re-rented	\$910,800	\$929,000	\$947,580	\$966,500	\$985,800

<sup>1</sup> Revised from Office of Motor Vehicles data.

<sup>2</sup> Revised amounts obtained from sales tax reports

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exclusions <i>continued</i></b>					
14. Certain transactions involving the construction or overhaul of U.S. Navy vessels	\$568,000	\$579,350	\$590,940	\$602,750	\$614,800
15. Rental or purchase of airplanes or airplane equipment and parts by Louisiana domiciled commuter airlines	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
16. Purchases and leases by free hospitals	\$47,000	\$48,000	\$48,500	\$49,000	\$49,900
17. Certain educational materials and equipment used for classroom instruction	\$579,000	\$590,600	\$591,000	\$602,000	\$614,000
18. Sales and rentals to Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc.	Negligible	Negligible	Negligible	Negligible	Negligible
19. Vehicle rentals for rent to warranty customers	\$108,000	\$110,150	\$112,350	\$114,500	\$116,700
20. Property used in the manufacture, production, or extraction of unblended diesel	***	***	Unable to anticipate	Unable to anticipate	Unable to anticipate
21. Purchases by regionally accredited independent educational institutions	\$193,500	\$197,350	\$201,300	\$205,000	\$209,000
22. Purchases by state and local governments	\$159,992,656 <sup>d</sup>	\$124,617,500 <sup>1</sup>	\$145,631,194 <sup>2</sup>	\$148,543,800 <sup>1</sup>	\$151,514,600 <sup>1</sup>
23. Purchases of certain bibles, songbooks, or literature by certain churches or synagogues for religious instructional classes	\$600,000	\$612,000	\$624,500	Suspended <sup>3</sup>	Suspended <sup>3</sup>
24. Purchases by the Society of the Little Sisters of the Poor	\$25,000	\$25,000	\$25,000	Suspended <sup>3</sup>	Suspended <sup>3</sup>

<sup>1</sup> This amount includes the total revenue loss for purchases by state and local government and sales to the U.S. government (see #33). Estimate is based on Sales Tax Line item reports

<sup>2</sup> Revised amounts obtained from sales tax reports

<sup>3</sup> See Revenue Information Bulletin No. 06-022 issued May 5, 2006.

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exclusions <i>continued</i></b>					
25. Purchases by nonprofit entities that sell donated goods	***	***	\$350,000	\$350,000	\$350,000
26. Purchases of tangible personal property for lease or rental	\$2,087,723 <sup>1</sup>	\$2,452,250 <sup>1</sup>	\$5,746,552 <sup>1</sup>	\$5,861,400	\$5,978,600
27. Purchases of new research equipment by a biotechnology company	\$1,300,000	\$1,326,000	\$1,350,000	Not in effect	Not in effect
28. Sales through coin-operated vending machines	\$3,210,000	\$3,274,000	\$3,300,000	\$3,350,000	\$3,417,000
29. Natural gas used in the production of iron	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
30. Electricity for chlor-alkali manufacturing process	\$6,109,000	\$6,231,000	\$6,350,000	\$6,475,000	\$6,604,500
31. Sales of human-tissue transplants	Negligible	Negligible	Negligible	Negligible	Negligible
32. Sales of raw agricultural products	\$0	\$0	\$0	\$0	\$0
33. Sales to the United States Government and its agencies	No data	See number 22	See number 22	See number 22	See number 22
34. Sales of food items by youth organizations	\$160,000	\$163,000	\$166,000	\$169,000	\$172,300
35. Purchases of school buses by independent operators	\$372,000	\$379,000	\$387,000	\$395,000	\$402,900
36. Tangible personal property sold to food banks	Negligible	Negligible	Negligible	Negligible	Negligible
37. Pollution control devices and systems <sup>2</sup>	\$9,815	\$413,000	\$0	Unable to anticipate	Unable to anticipate

<sup>1</sup> Revised amounts obtained from sales tax line item report.

<sup>2</sup> Revised amounts obtained from refunds issued.



# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exclusions <i>continued</i></b>					
38. Certain aircraft assembled in Louisiana with a capacity of 50 people or more	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
39. Pelletized paper waste used in a permitted boiler	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
40. Purchases of equipment by bonafide volunteer and public fire department	\$170,500	\$174,000	\$177,500	\$181,000	\$184,600
41. Sales of telephone directories by advertising companies	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000
42. Sales of cellular telephones and electronic accessories	***	***	***	***	***
43. Purchases of fuel or gas by residential consumers	***	See number 160	See number 160	See number 160	See number 160
44. Purchases by a private postsecondary academic degree-granting institution	***	***	\$56,000	\$56,000	\$56,000
45. Alternate substance used as a fuel	***	***	Unable to anticipate	Unable to anticipate	Unable to anticipate
46. Donation of toys	***	***	\$40,000	\$40,000	\$40,000
47. Natural gas held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities	***	***	Unable to anticipate	Unable to anticipate	Unable to anticipate
48. Articles traded in on tangible personal property	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
49. First \$50,000 of new farm equipment used in poultry production	\$150,000	See number 116	See number 116	See number 116	See number 116
50. Specialty Mardi Gras items sold by certain organizations	***	***	Negligible	Negligible	Negligible
51. Admissions to athletic or entertainment events by educational institutions and membership dues of certain nonprofit, civic organizations	\$2,143,000	\$2,186,000	\$2,229,700	\$2,274,000	\$2,319,400

\* Revised amounts obtained from sales tax line item report.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exclusions <i>continued</i></b>					
52. Admissions to museums	\$1,180,000	\$1,203,600	\$1,227,650	\$1,252,000	\$1,277,000
53. Admissions to places of amusement at camp/retreat facilities	Negligible	Negligible	Negligible	Negligible	Negligible
54. Repair services performed in Louisiana when the repaired property is exported	\$3,857,334 <sup>2</sup>	\$5,019,150 <sup>2</sup>	\$5,774,727 <sup>2</sup>	\$5,890,200	\$6,008,000
55. Defined call centers	\$253,000	\$177,000	\$8,274,616 <sup>2</sup>	\$8,440,100	\$8,608,900
56. Telecommunication services through coin-operated telephones	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
57. Miscellaneous telecommunications services	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
58. Coin bullion with a value of \$1,000 or more	\$204,000	\$208,000	\$212,500	\$216,000	\$220,300
59. Certain geophysical survey information and data analyses	\$0	\$0	\$0	\$0	\$0
60. Work products of certain professionals	\$0	\$0	\$0	\$0	\$0
61. Pharmaceuticals administered to livestock for agricultural purposes	Negligible	Negligible	Negligible	Negligible	Negligible
62. Used manufactured homes and 54 percent of cost of new manufactured homes	\$3,727,273 <sup>1</sup>	\$3,768,619 <sup>1</sup>	\$5,506,996 <sup>1</sup>	\$5,617,100	\$5,729,400
63. Purchases of certain custom computer software	\$147,340 <sup>2</sup>	\$578,145 <sup>2</sup>	\$392,516 <sup>2</sup>	\$400,300	\$408,300
64. Certain digital television and digital radio conversion equipment	\$610,000	\$622,000	\$825,000	\$841,000	\$858,300
65. Materials used directly in the collection of blood	\$600,000	\$600,000	\$612,000	\$624,000	\$363,400
66. Apheresis kits and leuko reduction filters	\$175,000	\$175,000	\$178,000	\$182,000	\$185,600
67. Other constructions permanently attached to the ground	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate

<sup>1</sup> Revised from Office of Motor Vehicle data.

<sup>2</sup> Revised amounts obtained from sales tax line item report.

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exclusions</b> <i>continued</i>					
68. Donation to certain schools from resale inventory	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
69. Use tax on residual or by-products consumed by the producer	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
70. Advertising services	\$0	\$0	\$0	\$0	\$0
<b>Exemptions</b>					
71. Purchases by nonprofit electric cooperatives	Suspended	Suspended	Suspended	Suspended	Suspended
72. Purchases by a public trust	\$0	\$0	\$0	\$0	\$0
73. Sales by state-owned domed stadiums	\$1,284,000	\$1,309,700	\$41,000	\$124,000	\$126,400
74. Sales by certain publicly-owned facilities	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
75. Sales of farm products direct from the farm	\$311,000	\$317,000	\$323,500	\$330,000	\$336,600
76. Racehorses claimed at races in Louisiana	Suspended	Suspended	Suspended	Suspended	Suspended
77. Feed and feed additives for animals held for business purposes	Suspended	Suspended	Suspended	Suspended	Suspended
78. Materials used in the production or harvesting of crawfish	Suspended	Suspended	Suspended	Suspended	Suspended
79. Materials used in the production or harvesting of catfish	Suspended	Suspended	Suspended	Suspended	Suspended
80. Farm products produced and used by the farmers	\$77,500	\$79,000	\$80,550	\$81,000	\$82,600
81. Sales of gasoline (not subject to motor fuels tax)	Suspended	Suspended	Suspended	Suspended	Suspended

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions <i>continued</i></b>					
82. Sales of steam	See number 84	See number 84	See number 84	See number 84	See number 84
83. Sales of water	See number 84	See number 84	See number 84	See number 84	See number 84
84. Sales of electric power or energy	\$9,192,874	\$12,297,810	\$27,144,815	\$27,687,700	\$28,241,400
85. Sales of newspapers	Suspended	Suspended	Suspended	Suspended	Suspended
86. Sales of fertilizers and containers to farmers	\$0	\$0	\$0	\$0	\$0
87. Sales of natural gas	See number 84	See number 84	See number 84	See number 84	See number 84
88. Materials and energy sources used for boiler fuel	Suspended	Suspended	Suspended	Suspended	Suspended
89. Trucks, automobiles, and new aircraft removed from inventory for use as demonstrators	Suspended	Suspended	Suspended	Suspended	Suspended
90. Drugs prescribed by physicians or dentists	\$149,703,296*	\$207,558,594	\$216,573,515	\$220,904,900	\$225,322,900
91. Sales of food by certain institutions	Suspended	Suspended	Suspended	Suspended	Suspended
92. Adaptive driving equipment and motor vehicle modification	Suspended	Suspended	Suspended	Suspended	Suspended
93. Fees paid by radio and television broadcasters for the rights to broadcast film, video, and tapes	Suspended	Suspended	Suspended	Suspended	Suspended
94. Repairs of materials used drilling rigs and equipment	No data	Suspended	Suspended	Suspended	Suspended
95. Sales of 50-ton vessels and new component parts and sales of certain materials and services to vessels operating in interstate commerce	\$41,644,504*	\$41,650,000	\$42,477,500	\$43,327,000	\$44,193,500
96. Sales of seeds for planting crops	\$51,000	\$52,000	\$53,000	\$54,000	\$55,000

\* Revised amounts obtained from sales tax line item reports.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions <i>continued</i></b>					
97. Sales of admission tickets by Little Theater organizations	Suspended	Suspended	Suspended	Suspended	Suspended
98. Tickets to musical performances by nonprofit musical organizations	Suspended	Suspended	Suspended	Suspended	Suspended
99. Sales of pesticides for agricultural purposes	\$1,708,500	\$1,742,670	\$1,777,500	\$1,813,000	\$1,849,200
100. Rentals of motion-picture film to commercial theaters	Suspended	Suspended	Suspended	Suspended	Suspended
101. Property purchased for exclusive use outside the state	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
102. Additional tax levy on contracts entered into prior to and within 90 days of tax levy	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
103. Admissions to entertainment by domestic nonprofit charitable, educational, and religious organizations	Suspended	Suspended	Suspended	Suspended	Suspended
104. Sales of tangible personal property at or admissions to events sponsored by certain nonprofit groups	\$2,691,800	\$2,745,600	\$2,800,500	\$2,856,000	\$2,913,100
105. Sales by thrift shops on military installations	Negligible	Negligible	Negligible	Negligible	Negligible
106. Sales of newspapers by religious organizations	\$35,000	\$36,200	\$37,000	\$38,000	\$38,700
107. Sales to nonprofit literacy organizations	\$50,000	\$51,000	\$52,000	\$53,000	\$54,000
108. Sales or purposes by blind persons operating small business	\$190,000	\$193,800	\$197,700	\$201,000	\$205,000

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions <i>continued</i></b>					
109. Purchases by certain organizations that promote training for the blind	Negligible	Negligible	Negligible	Negligible	Negligible
110. Cable television installation and repair services	\$0	\$0	\$0	\$0	\$0
111. Receipts from coin-operated washing and drying machines in commercial laundromats	\$0	\$0	\$0	\$0	\$0
112. Outside gate admissions and parking fees at fairs, festivals, and expositions sponsored by nonprofit organizations	Suspended	Suspended	Suspended	Suspended	Suspended
113. Lease or rental of certain vessels in mineral production	Suspended	Suspended	Suspended	Suspended	Suspended
114. Purchases of supplies, fuels, and repair services for boats used by commercial fisherman	\$2,796,000	\$2,851,900	\$2,909,000	\$2,967,000	\$3,026,300
115. Certain seafood-processing facilities	\$224,500	\$229,000	\$233,550	\$238,000	\$242,700
116. First \$50,000 of the sales price of certain rubber-tired farm equipment and attachments	\$3,765,133*	\$3,775,000	\$7,360,752*	\$7,507,900	\$7,658,000
117. New vehicles furnished by a dealer for driver-education programs	Suspended	Suspended	Suspended	Suspended	Suspended
118. Sales of gasohol	Suspended	Suspended	Suspended	Suspended	Suspended

\* Revised amounts obtained from sales tax line item reports.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions <i>continued</i></b>					
119. Construction materials and operating supplies for certain nonprofit retirement centers	Suspended	Suspended	Suspended	Suspended	Suspended
120. Sales of motor vehicles to be leased or rented by qualified lessors	See number 26	See number 26	See number 26	See number 26	See number 26
121. Sales of certain fuels used for farm purposes	\$10,612,000	\$10,824,250	\$11,040,000	\$11,261,000	\$11,486,200
122. Sales or purchases by certain sheltered workshops	\$72,000	\$73,000	\$75,000	\$76,000	\$77,500
123. Purchases of certain fuels for private residential consumption	Suspended	See number 160	See number 160	See number 160	See number 160
124. Specialty Mardi Gras items purchased by certain organizations	Suspended	Suspended	Suspended	Suspended	Suspended
125. Purchases and sales by Ducks Unlimited and Bass Life	Suspended	Suspended	Suspended	Suspended	Suspended
126. Tickets to dance, drama, or performing arts presentations by certain nonprofit organizations	Suspended	Suspended	Suspended	Suspended	Suspended
127. Purchases by and sales by certain nonprofit organizations dedicated to the conservation of migratory waterfowl	See number 125	See number 125	See number 125	See number 125	See number 125
128. Raw materials used in the printing process	Suspended	Suspended	Suspended	Suspended	Suspended
129. Piggy-back trailers or containers and rolling stock	Suspended	Suspended	Suspended	Suspended	Suspended

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions <i>continued</i></b>					
130. Pharmaceutical samples distributed in Louisiana	Suspended	Suspended	Suspended	Suspended	Suspended
131. Catalogs distributed in Louisiana	Suspended	Suspended	Suspended	Suspended	Suspended
132. Certain trucks and trailers used 80% in interstate commerce	\$6,642,948*	\$6,469,066*	\$8,591,444*	\$8,763,200	\$8,938,400
133. Certain contract carrier buses used 80% in interstate commerce	\$1,171,285*	\$1,141,600*	\$1,516,137*	\$1,546,400	\$1,577,300
134. Railrolling stock sold or leased in Louisiana	***	***	\$500,000	\$510,000	\$520,200
135. Utilities used by steelworks and blast furnaces	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
136. Sickle cell disease organizations	***	***	Negligible	Negligible	Negligible
137. 2005 Louisiana sales tax holiday	***	***	\$10,200,000	***	***
138. Purchase or rental of machinery and equipment to replace equipment damaged or destroyed by Hurricane Katrina or Hurricane Rita	***	***	\$2,000,000	\$4,000,000	***
139. Antique airplanes held by private collectors and not used for commercial purposes	Suspended	Suspended	Suspended	Suspended	Suspended
<b>Alternate-reporting methods</b>					
140. Certain interchangeable components optional method to determine	\$579,500	\$591,100	\$602,200	\$614,000	\$626,200
141. Helicopters leased for use in the extraction, production, or exploration for oil, gas, or other minerals	See number 26	See number 26	See number 26	See number 26	See number 26
142. Cash-basis sales tax reporting and remitting for health and fitness club membership contracts	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate

\* Revised from Office of Motor Vehicle data.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000



# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Alternate-reporting methods <i>continued</i></b>					
143. Cash-basis reporting procedure for rental and lease transaction	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
144. Collection from interstate and foreign transportation dealers	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
<b>Statutorily prescribed methods of taxation</b>					
145. Extended time to register mobile homes	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
146. Cost price of refinery gas	\$0	\$0	\$0	\$0	\$0
<b>Credits</b>					
147. Vendor's compensation	\$24,568,755 <sup>1</sup>	\$26,907,747 <sup>1</sup>	\$31,750,598 <sup>1</sup>	\$32,385,600	\$33,033,300
148. Credit for costs to reprogram cash registers	\$47,976 <sup>1</sup>	\$17,026 <sup>1</sup>	\$61,724 <sup>1</sup>	\$62,900	\$64,100
<b>Refunds</b>					
149. Sales tax remitted on bad debts from credit sales	\$1,839,880	\$907,900	\$964,000	\$983,000	\$1,002,600
150. State sales tax paid on property destroyed in a natural disaster	\$754 <sup>2</sup>	\$0 <sup>2</sup>	\$6,086,849 <sup>2</sup>	Unable to anticipate	Unable to anticipate
151. Materials used in the construction, restoration, or renovation of housing in designated areas	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate

<sup>1</sup> Revised amounts obtained from sales tax line item report.

<sup>2</sup> Revised amounts obtained from refunds issued.

# Sales Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Refunds <i>continued</i></b>					
152. Purchases and leases of durable medical equipment paid by or under provisions of Medicare	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
153. Louisiana Tax Free Shopping Program	\$870,276 <sup>1</sup>	\$1,230,480	\$281,811 <sup>1</sup>	\$287,500	\$293,200
<b>Total state sales tax revenue loss</b>	\$470,704,040	\$503,962,987	\$618,667,516	\$616,040,750	\$670,681,600
<b>State exemptions with prohibitions on taxation<sup>2</sup></b>					
154. Sales of gasoline, gasohol, and diesel	\$180,160,500 <sup>3</sup>	\$222,518,000 <sup>3</sup>	\$272,590,000	\$278,000,000	\$283,000,000
155. Purchases made with food stamps and WIC vouchers	\$0	\$0	\$0	\$0	\$0
156. Credit for sales and use taxes paid to other states on property imported into Louisiana	\$22,776,600	\$23,232,100	\$23,696,750	\$24,170,000	\$24,653,000
157. Credit for use tax paid on automobiles imported by certain members of the armed services	See number 156	See number 156	See number 156	See number 156	See number 156
158. Use of vehicles in Louisiana by active military personnel	See number 156	See number 156	See number 156	See number 156	See number 156
159. Sales of food for preparation and consumption in the home	\$177,978,695 <sup>4</sup>	\$245,349,849	\$254,870,758 <sup>4</sup>	\$259,968,100	\$265,167,400
160. Sales of electric power or energy to the consumer for residential use	\$198,346,679 <sup>4</sup>	\$331,130,867 <sup>4</sup>	\$304,218,608 <sup>4</sup>	\$310,302,900	\$316,508,900
161. Sales of natural gas to the consumer for residential use	See number 160	See number 160	See number 160	See number 160	See number 160
162. Sales of water to the consumer for residential use	See number 160	See number 160	See number 160	See number 160	See number 160
<b>Total revenue loss from exemptions with prohibitions on taxation</b>	\$579,262,474	\$822,230,816	\$855,376,116	\$872,441,000	\$889,329,300
<b>Total sales tax revenue loss</b>	\$1,049,966,514	\$1,326,193,803	\$1,474,043,632	\$1,488,481,750	\$1,560,010,900

<sup>1</sup> Revised amounts obtained from refunds issued.

<sup>2</sup> Taxation is prohibited by the state constitution, federal laws, or existing reciprocal agreements.

<sup>3</sup> Revised amounts derived from data provided by the U.S. Department of Energy.

<sup>4</sup> Revised amounts obtained from sales tax line item report.

# Corporation Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions and exclusions</b>					
1. Credit Unions	NRR	NRR	NRR	NRR	NRR
2. Exemption for certain foreign corporations	NRR	NRR	NRR	NRR	NRR
3. Electric cooperatives	NRR	NRR	NRR	NRR	NRR
4. Exemption for events, activities, or enterprises conducted in domed-stadium facilities	NRR	NRR	NRR	NRR	NRR
5. Exemption for events, activities, or enterprises conducted in publicly-owned facilities	NRR	NRR	NRR	NRR	NRR
6. State banking corporations and shareholders	NRR	NRR	NRR	NRR	NRR
7. Dividends from national banking corporations	NRR	NRR	NRR	NRR	NRR
8. Interest on state or local government obligations	NRR	NRR	NRR	NRR	NRR
9. Governmental subsidies for operating public transportation systems	\$0	\$0	\$0	\$0	\$0
10. Income from carriage on high seas	\$0	\$0	\$0	\$0	\$0
11. Certain exempt corporations, organizations, etc.	NRR	NRR	NRR	NRR	NRR

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Corporation Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06*	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Deductions</b>					
12. Percentage depletion	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000
13. Net Louisiana operating loss	\$85,520,000	\$62,955,480	\$64,696,000	\$66,641,000	\$68,640,000
14. Subchapter S corporation	\$190,882,115 <sup>1</sup>	\$169,904,600 <sup>1</sup>	\$256,480,000	\$261,730,000	\$269,582,000
<b>Credits</b>					
15. Corporation jobs	\$179,800	\$163,660	\$104,000	\$109,000	\$112,000
16. Inventory tax	\$143,392,600 <sup>2</sup>	\$222,304,000 <sup>3</sup>	\$227,374,680 <sup>3</sup>	\$231,953,000 <sup>3</sup>	\$238,912,000
17. Credit for ad valorem tax paid by certain telephone companies	\$25,358,300 <sup>2</sup>	\$28,409,000 <sup>3</sup>	\$22,637,000 <sup>3</sup>	\$23,000,000 <sup>3</sup>	\$24,000,000
18. Credit for purchases from Prison Industry Enhancement	\$5,800 <sup>2</sup>	\$367,420 <sup>3</sup>	\$0	Unable to anticipate	Unable to anticipate
<b>Other credits - revenue loss for credits in shaded areas included in total for all "other credits"</b>					
19. Cash donations to the Dedicated Research Investment Fund		\$0	\$0	Unable to anticipate	Unable to anticipate
20. Hiring eligible re-entrants		\$0	\$0	Unable to anticipate	Unable to anticipate
21. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions		\$29,100	\$3,780	\$4,000	\$5,000
22. Neighborhood assistance		Minimal	Minimal	Minimal	Minimal

<sup>1</sup> The FYE 6-04 revenue loss for the subchapter S corporation income tax deduction is based on tax return detail data captured by the department's new computer system and has been verified to be correct. Revenue loss projections for FYE 6-06 and 6-07 have been adjusted accordingly.

<sup>2</sup> The estimated revenue loss for these credits include the total revenue loss for individual income tax and corporation income and franchise taxes.

<sup>3</sup> The estimated revenue loss for these credits include the total revenue loss for corporation income and franchise taxes.

\* Adjusted per amounts shown on the 2005 tax year statistics.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Corporation Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06*	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Other credits continued</b>					
23. Employment of the previously unemployed		Minimal	Minimal	Minimal	Minimal
24. Alternative fuel usage		\$0	\$0	Unable to anticipate	Unable to anticipate
25. Bone-marrow donor expense		\$0	\$0	Unable to anticipate	Unable to anticipate
26. Employee and dependent health insurance coverage credit		***	\$40,400	\$42,000	\$45,000
27. Employment of certain first time drug offenders		\$0	\$0	Unable to anticipate	Unable to anticipate
28. Donations to assist qualified playgrounds		\$0	\$0	Unable to anticipate	Unable to anticipate
29. Louisiana basic-skills training		\$0	\$0	Unable to anticipate	Unable to anticipate
30. Insurance company premium tax		\$12,218,000	\$10,717,500	\$11,092,000	\$11,400,000
31. Certain refunds issued by utilities		\$0	\$0	Unable to anticipate	Unable to anticipate
32. Donations to public elementary or secondary schools		Minimal	Minimal	Minimal	Minimal
33. Low-income housing		No data	No data	Unable to anticipate	Unable to anticipate
34. Purchasing of qualified recycling equipment		***	\$0	Unable to anticipate	Unable to anticipate
35. Donations of property to certain offices and agencies		No data	No data	Unable to anticipate	Unable to anticipate

\* Adjusted per amounts shown on the 2005 tax year statistics.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Corporation Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06*	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Other credits continued</b>					
36. Donations of material, equipment or instructors made to certain training procedures		No data	No data	Unable to anticipate	Unable to anticipate
37. Credit for debt issuance costs		\$0	\$0	Unable to anticipate	Unable to anticipate
38. Credit for rehabilitation of historic structures		\$88,850	\$86,000	\$91,000	\$94,000
39. Louisiana community development financial institutions act credit	***	***	\$1,587,000 <sup>1</sup>	\$1,600,000 <sup>1</sup>	\$1,635,000
40. LA Citizens Property Insurance Corporation Assessments Credit	***	***	***	See Note <sup>2</sup>	See Note <sup>2</sup>
<b>Other credits - total</b>	\$12,837,000	\$12,335,950	\$12,434,680	\$12,829,000	\$13,179,000
<b>Total state revenue loss</b>	\$476,174,815	\$514,440,110	\$601,726,360	\$614,262,000	\$632,425,000
<b>Exemption required by the state constitution</b>					
41. Federal income tax deduction	\$42,134,000	\$41,390,000	\$58,929,000	\$60,244,000	\$62,051,000
<b>Total corporation income tax revenue loss</b>	\$518,308,815	\$555,830,110	\$660,655,360	\$674,506,000	\$694,476,000

<sup>1</sup> The estimated revenue loss for these credits include the total revenue loss for individual income tax and corporation income and franchise taxes.

<sup>2</sup> The estimated revenue loss is shown on the Individual Income tax table.

\* Adjusted per amounts shown on the 2005 tax year statistics.

# Individual Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemption and exclusions</b>					
1. Annual retirement income exclusion	\$12,558,000	\$13,717,000	\$14,007,900*	\$14,288,000	\$14,717,000
2. Disability income exclusion	See note <sup>2</sup>	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
3. State employees, teachers, and other retirement benefits exclusion	\$80,359,800	\$84,945,000	\$92,132,800*	\$93,866,000	\$96,682,000
4. Federal retirement benefits exclusion	\$20,662,500	\$21,239,000	\$22,284,400*	\$22,717,000	\$23,399,000
5. Certain compensation paid to military personnel	\$2,615,000	\$3,551,000	\$3,657,000	3,730,000	\$3,842,000
6. Exclusions for certain income reported to shareholders of banks organized as S Corps.	\$884,000	\$884,000	\$884,000	\$884,000	\$884,000
7. Exemptions for Estate and Trust	NRR	NRR	NRR	NRR	NRR
<b>Deductions</b>					
8. Disabled individual home adaptation expense	NRR	NRR	NRR	NRR	NRR
9. Dependent exemption/deduction	\$27,118,000	\$27,106,000	\$25,661,000*	\$26,214,000	\$27,000,000
10. Excess federal itemized deductions	Repealed	Repealed	Repealed	Repealed	Repealed
11. Student Tuition Assistance	\$382,000	\$432,000	\$568,000*	\$577,000	\$594,000
12. Personal exemption - standard deduction <sup>2</sup>	\$230,020,000	\$226,595,000	\$217,316,000*	\$221,938,000	\$228,596,000
<b>Credits</b>					
13. Net income taxes paid to other states	\$32,708,170	\$36,199,000	\$29,892,000*	\$30,630,000	\$31,549,000
14. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions	\$646,570	\$872,000	\$662,000*	\$679,000	\$699,000

<sup>1</sup> An individual with a permanent disability may exclude up to \$6,000 of annual disability income from adjusted gross income beginning on or after January 1, 2001. We have no data to estimate the revenue loss from the exclusion.

<sup>2</sup> The fiscal effect assumes no restrictions on eliminating this deduction. Assuming that to reduce this deduction below the levels in effect January 1, 1974, would require a constitutional amendment, 58 percent of the fiscal effect should be considered protected.

\* Adjusted per amounts reflected in the tax year 2005 statistics

# Individual Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Credits <i>continued</i></b>					
15. Certain disabilities	\$1,592,700	\$2,198,000	\$2,202,000*	\$2,247,000	\$2,314,000
16. Special credits	\$238,050	\$321,000	\$334,000*	\$341,000	\$351,000
17. Education	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>	Unable to anticipate	Unable to anticipate
18. Inventory tax/Ad valorem tax	See note <sup>2</sup>	\$5,308,000	\$3,871,000*	\$3,979,000	\$4,098,000
19. Property taxes paid by telephone companies	See note <sup>3</sup>	\$0	\$0	Unable to anticipate	Unable to anticipate
20. Credit for purchases from Prison Industry Enhancement Contractors	See note <sup>4</sup>	\$0	\$0	Unable to anticipate	Unable to anticipate
<b>Other credits – revenue loss for all other credits in shaded areas included in total for all “Other credits – total”</b>					
21. Low-income housing		\$0	\$0	Unable to anticipate	Unable to anticipate
22. Cash donations to the Dedicated Research Investment Fund		Minimal	\$0	Unable to anticipate	Unable to anticipate
23. Employment of the previously unemployed		\$18,000	\$100	\$1,000	\$1,100
24. Alternative-fuel usage		\$3,600	\$18,000*	\$18,500	\$19,000
25. Small-town doctors		\$950,000	\$714,000*	\$733,000	\$755,000
26. Louisiana basic-skills training		\$12,000	\$150*	\$1,000	\$1,200
27. Gasoline and special fuels taxes		\$23,000	\$13,000*	\$14,000	\$15,000

<sup>1</sup> Education credit is repealed effective for taxable periods beginning after December 31, 1999, and ending before January 1, 2006.

<sup>2</sup> The estimated revenue loss for the inventory tax credit is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

<sup>3</sup> An individual is allowed a credit of 40 percent of the total ad valorem taxes paid to Louisiana political subdivisions by telephone companies on their public service properties beginning with tax years after December 31, 2000. The estimated revenue loss is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

<sup>4</sup> The estimated revenue loss for the Prison Industry Enhancement Contractors credit is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

\* Adjusted per amounts reflected in the tax year 2005 statistics



# Individual Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	0FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Other credits <i>continued</i></b>					
28. Educational expenses incurred for a degree related to law enforcement		\$63,000	\$31,000*	\$34,000	\$35,000
29. Employment of certain first time drug offenders		Minimal	\$13,000*	\$14,000	\$15,000
30. Bone-marrow donor expenses		\$5,000	\$25,000*	\$26,000	\$27,000
31. Purchase of bullet proof vest		\$12,000	\$4,000*	\$5,000	\$6,000
32. Employment of certain first-time nonviolent offenders		***	\$14,000*	\$15,000	\$16,000
33. Donations to assist qualified playgrounds		\$31,000	\$84,000*	\$85,000	\$87,000
34. Employment related expenses for maintaining household for certain disabled dependents		\$26,000	\$16,000*	\$17,000	\$18,000
35. Family responsibility		\$24,000	\$23,000*	\$24,000	\$25,000
36. Purchase of a qualified recycling equipment		\$0	\$0	Unable to anticipate	Unable to anticipate
37. Donations of property to certain offices and agencies		\$0	Minimal	Unable to anticipate	Unable to anticipate
38. Donations of material, equipment, advisors, or instructors made to certain training providers		\$0	Minimal	Unable to anticipate	Unable to anticipate
39. Credit for rehabilitation of historic structures	***	\$515,000	\$505,000*	\$515,000	\$530,000

\* Adjusted per amounts reflected in the tax year 2005 statistics

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Individual Income Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Other credits <i>continued</i></b>					
40. Credit for certain child care expenses	\$6,375,600	\$6,927,000	\$5,787,000*	\$8,375,000	\$8,626,000
41. Credit for debt issuance costs	***	Minimal	\$0	Unable to anticipate	Unable to anticipate
42. Long-term insurance premiums credit	***	***	***	***	***
43. Living organ donation credit	***	***	\$2,800*	\$3,000	\$3,100
44. Rehabilitation of an owner occupied residential or mixed-use property	***	***	***	\$200,000	\$200,000
45. Louisiana community development financial institutions act credit	***	***	***	See note <sup>1</sup>	See note <sup>1</sup>
46. Louisiana Citizens Property Insurance Corporation Assessment Credit	***	***	***	\$239,000,000 <sup>2</sup>	\$56,000,000 <sup>2</sup>
<b>Other credits – total</b>	\$18,131,600	\$8,609,600	\$7,250,050	\$249,080,500	\$66,379,400
<b>Total state revenue loss</b>	\$434,291,990	\$431,976,600	\$420,293,150	\$671,170,500	\$501,104,400
<b>Exemption required by the state constitution</b>					
47. Federal income tax deduction	\$429,734,000	\$430,268,000	\$453,571,000*	\$462,348,000	\$476,218,000
<b>Total individual income tax revenue loss</b>	\$864,025,990	\$862,244,600	\$874,293,150	\$1,133,518,500	\$977,322,400

<sup>1</sup>The estimated fiscal effect of this credit is shown in the listing of exemptions for corporation income tax and includes the revenue loss for individual income tax and corporation income and franchise taxes.

<sup>2</sup>The estimated revenue loss includes the total revenue loss for corporation and individual income taxes.

\* Adjusted per amounts reflected in the tax year 2005 statistics

# Natural Resources – Severance Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Natural gas exclusions</b>					
1. Injection	\$230,000	\$375,000	\$187,000	\$215,000	\$247,000
2. Produced outside the state of Louisiana	\$87,000	\$88,000	\$69,000	\$79,000	\$91,000
3. Flared or vented	\$1,200,000	\$415,000	\$486,000	\$559,000	\$643,000
4. Consumed in field operations	\$6,300,000	\$4,935,000	\$4,773,000	\$5,489,000	\$6,312,000
5. Consumed in the production of natural resources in the state of Louisiana	\$58,000	\$29,500	\$25,000	\$29,000	\$33,000
6. Used in the manufacture of carbon black	\$240,000	\$163,000	\$96,000	\$111,000	\$128,000
<b>Natural gas suspensions</b>					
7. Horizontal wells	\$1,050,000	\$560,000	\$130,000	\$149,000	\$171,000
8. Inactive wells	\$2,600,000	\$2,540,000	\$2,135,000	\$2,456,000	\$2,824,000
9. Deep wells	\$9,340,000	\$15,150,000	\$392,000	\$451,000	\$519,000
10. New discovery wells	\$1,000,000	Expired	Expired	Expired	Expired
<b>Natural gas special rates</b>					
11. Incapable oil-well gas	\$960,000	\$960,000	\$1,226,000	\$1,456,000	\$1,674,000
12. Incapable gas-well gas	\$13,000,000	\$17,601,000	\$28,305,000	\$32,551,000	\$37,434,000
<b>Oil deduction</b>					
13. Trucking, barging, and pipeline fees	\$2,400,000	\$4,210,000	\$3,497,000	\$4,021,000	\$4,624,000

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Natural Resources – Severance Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Oil suspensions</b>					
14. Horizontal wells	\$6,700,000	\$2,400,000	\$598,000	\$688,000	\$791,000
15. Inactive wells	\$7,600,000	\$15,540,000	\$9,599,000	\$11,038,000	\$12,694,000
16. Deep wells	\$3,800,000	\$3,350,000	\$4,166,000	\$4,791,000	\$5,510,000
17. New discovery wells	\$1,100,000	Expired	Expired	Expired	\$Expired
18. Tertiary recovery	\$50,000	\$82,500	\$90,000	\$104,000	\$120,000
<b>Oil special rates</b>					
19. Incapable oil	\$5,250,000	\$11,850,000	\$9,072,000	\$10,433,000	\$11,998,000
20. Stripper oil	\$14,650,000	\$32,000,000	\$25,250,000	\$29,037,000	\$33,393,000
21. Stripper oil value less than \$20 per barrel	\$0	\$0	\$0	\$0	\$0
22. Salvage oil	\$60,000	\$99,000	\$354,000	\$407,000	\$468,000
23. Horizontal mining and drilling projects	\$0	\$0	\$0	\$0	\$0
<b>Oil and gas incentives</b>					
24. Produced water injection incentive	\$20,000	\$33,000	\$197,000	\$226,000	\$260,000
<b>Mineral exemption</b>					
25. Owned and severed by political subdivisions	\$0	\$0	\$0	\$0	\$0
<b>Total severance tax revenue loss</b>	<b>\$77,695,000</b>	<b>\$112,381,000</b>	<b>\$90,647,000</b>	<b>\$104,290,000</b>	<b>\$119,934,000</b>

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Tax Incentives and Exemption Contracts      Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06 <sup>1</sup>	FYE 6-07 (projected)	FYE 6-08 (projected)
1. Atchafalaya trace heritage area development zone tax exemption	No separate data	\$42	\$180,205	No data	No data
2. University research and development parks	\$0	\$0	\$0	No data	No data
3. Louisiana Biomedical Research and Development Park Program	\$0	\$0	\$0	No data	No data
4. Louisiana Motion Picture Incentive Program	\$1,530,000*	\$2,086,279**	\$1,151,259	No data	No data
5. Motion picture investor tax credit	No separate data	\$45,588,962	\$37,006,136	No data	No data
6. Industrial Tax Equalization Program	\$7,456,073	\$1,260,312	\$3,500,000	No data	No data
7. Exemptions for manufacturing establishments	\$135,028	\$19,533	\$31,000	No data	No data
8. Research and development tax credit	No separate data	\$141,628	\$221,795	No data	No data
9. New markets tax credit	***	\$317	\$0	No data	No data
10. Angel Investor Tax Credit Program	***	***	No separate data	No data	No data
11. Brownfields investor tax credit	***	***	\$5,773	No data	No data
12. Digital interactive media producer tax credit	***	***	\$22,000	No data	No data
13. Sound recording investor tax credit	***	***	\$8,000	No data	No data
14. Enterprise zones	\$12,692,761	\$38,103,965	\$12,388,060	No data	No data
15. Urban Revitalization Tax Incentive Program	***	***	\$0	No data	No data
16. Louisiana Capital Companies Tax Credit Program	\$1,363,515	\$98,095	\$121,016	No data	No data
17. Technology Commercialization Credit Program	No separate data	\$1,446	\$0	No data	No data
18. Louisiana Quality Jobs Program	\$4,014,774	\$11,227,902	\$2,153,704	No data	No data
<b>Total Revenue Loss</b>	\$28,722,151	\$98,528,481	\$56,788,948	No data	No data

<sup>1</sup>Amounts Represent Credit Claimed per 2005 Tax Year Statistics

No separate data means that taxpayers reported the tax exemption amount on their tax return but the data was not captured separately and the data was combined with other exemption amounts.

\* These amounts include sales tax revenue loss estimates. Beneficiaries of the sales tax exemption are granted an exemption certificate and make their purchases tax free. There is no reporting requirement for the data.

\*\* The FYE 6-05 revenue loss is based on actual tax return line item data and manual refunds issued. The amount does not include the sales tax revenue loss estimate that had been included in the prior two years, but it can be assumed that the additional estimated \$1.5 million sales tax revenue loss from tax free purchases using an exemption certificate would be in addition to the revenue loss shown.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Corporation Franchise Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions and exclusions</b>					
1. Agricultural cooperative associations and farmer credit and farmers' credit cooperative associations	NRR	NRR	NRR	NRR	NRR
2. Cooperative marketing associations	NRR	NRR	NRR	NRR	NRR
3. Credit unions	NRR	NRR	NRR	NRR	NRR
4. Limited liability companies	NRR	NRR	NRR	NRR	NRR
5. Exemption for certain foreign corporations	NRR	NRR	NRR	NRR	NRR
6. Electric cooperatives	NRR	NRR	NRR	NRR	NRR
7. Exemption for events, activities, or enterprises conducted in domed-stadium facilities	NRR	NRR	NRR	NRR	NRR
8. Exemption for events, activities, or enterprises conducted in publicly-owned facilities	NRR	NRR	NRR	NRR	NRR
9. Exemptions for certain corporations	NRR	NRR	NRR	NRR	NRR
10. Computation of borrowed capital by corporations affected by Hurricane Katrina or Rita	***	***	NRR	NRR	NRR
<b>Deductions</b>					
11. Phase-out of borrowed capital	***	***	\$22,500,000	\$45,000,000	\$67,600,000
12. Bank-holding corporations	NRR	NRR	NRR	NRR	NRR
13. Public-utility holding corporations	\$7,830,000	\$8,060,000	\$8,301,800	\$8,467,000	\$8,636,000
14. Public water utility companies	\$103,000	\$106,000	\$109,000	\$111,000	\$113,000
15. Members of controlled groups that include a telephone corporation	\$1,235,000	\$1,272,000	\$1,310,000	\$1,336,000	\$1,363,000

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Corporation Franchise Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Deductions <i>continued</i></b>					
16. Insurance Holding Corporations	\$123,000	***	***	***	***
17. Vehicle, boat and equipment dealers	Minimal	Minimal	Minimal	Minimal	Minimal
18. Regulated utility companies	\$0	\$0	\$0	\$0	\$0
<b>Tax credit</b>					
19. Inventory tax/Ad valorem tax	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
<b>Other credits – revenue loss for credit in shaded areas are included in total for all “other credits”</b>					
20. Employment of the previously unemployed			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
21. Donations to assist qualified playgrounds			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
22. Louisiana basic-skills training			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
23. Qualified donations made to public elementary or secondary schools			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
24. La. Capital Investment Tax Credit			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
25. Low-income housing			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
26. Purchase of qualified recycling equipment			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
27. Donations of material, equipment, advisors, or instructors made to certain training providers		***	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
28. Credit for debt issuance costs			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
29. Credit for Purchases from Prison Industry Enhancement Contractors		See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
30. Credit for Rehabilitation of Historic Structures			See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
31. Louisiana Community Development Financial Institutions Act Credit		***	***	See note <sup>1</sup>	See note <sup>1</sup>
<b>Other credits – total</b>	\$285,743 <sup>2</sup>	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>	See note <sup>1</sup>
<b>Total corporation franchise tax revenue loss</b>	\$9,576,743	\$9,438,000	\$32,220,800	\$54,914,000	\$77,712,000

<sup>1</sup> The estimated revenue loss for these credits are shown on the corporation income tax table and includes the total revenue loss for corporation income and franchise taxes.

<sup>2</sup> The credits classified as “other credits” for franchise tax can be applied against either the corporation income tax or corporation franchise tax. In previous years, “Other Credits” claimed against Franchise Tax were incorrectly included in the Enterprise Zone credit amount claimed against Franchise Tax due to a program error on the legacy system. The error has been corrected to reflect the amount of credit claimed against each one separately.

# Tobacco Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Discounts</b>					
1. Discount of 6 percent for tobacco stamps	\$8,080,600	\$8,655,300	\$7,202,400	\$7,000,000	\$7,000,000
2. Discount of 6 percent for timely filing reports	\$640,500	\$890,000	\$875,600	\$350,000	***
<b>Exemptions</b>					
3. Sales to state institutions	Negligible	Negligible	Negligible	Negligible	Negligible
4. Return of taxable product to the manufacturer	\$636,000	\$94,644	\$99,400	\$100,000	\$100,000
Total state revenue loss	\$9,357,100	\$9,639,964	\$8,177,400	\$7,450,000	\$7,100,000
<b>Federally imposed tax exemptions</b>					
5. Sales to federal government and its agencies	Negligible	Negligible	Negligible	Negligible	Negligible
6. Interstate shipments of tobacco products	\$42,352,000	\$60,818,000	\$59,520,000	\$60,000,000	\$60,000,000
<b>Total revenue loss from federally imposed exemptions</b>	\$42,352,000	\$60,818,000	\$59,520,000	\$60,000,000	\$60,000,000
<b>Total tobacco tax revenue loss</b>	\$51,709,100	\$70,457,900	\$67,697,400	\$67,450,000	\$67,100,000

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000



# Petroleum Products Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Gasoline tax exemptions</b>					
1. Casinghead gasoline	\$0	\$0	\$0	\$0	\$0
2. Aviation gasoline	\$1,300,000*	\$1,300,000*	\$1,300,000*	\$1,300,000*	\$1,300,000*
<b>Gasoline fuel tax refunds</b>					
3. School-bus drivers	\$135,000	\$140,000	\$106,000 <sup>1</sup>	\$100,000	\$100,000
4. Farmers, fishermen, and aircraft	\$115,000	\$115,000	\$43,000 <sup>1</sup>	\$100,000	\$100,000
<b>Gasoline tax refunds discount</b>					
5. Discount of 3 percent for a gasoline dealer	\$700,000*	\$700,000*	\$700,000*	***	***
6. Discount of 3 percent for a gasoline jobber	\$700,000*	\$700,000*	\$700,000*	***	***
7. Discount for timely filing and payment by suppliers	***	***	***	\$8,000,000	\$8,000,000
<b>Diesel Fuels tax refunds</b>					
8. School-bus drivers	\$188,000	\$206,000	\$77,000	\$200,000	\$200,000
9. Diesel fuels used in licensed vehicles by commercial fishermen	Negligible	Negligible	Negligible	Negligible	Negligible
<b>Special fuels/Diesel Fuels tax discount</b>					
10. Discount of 3 percent	\$3,988,000	\$4,000,000	\$4,000,000	***	***
11. Discount for timely filing and payment by suppliers	***	***	***	\$,2000,000	\$,2000,000
<b>Inspection fee on exemptions</b>					
12. Gasoline and undyed diesel brought into Louisiana in fuel supply tanks of interstate motor fuel users	Negligible	Negligible	Negligible	Negligible	Negligible
13. Undyed diesel fuel used by commercial fishermen	Negligible	Negligible	Negligible	Negligible	Negligible
14. Diesel fuels used in or distributed to seagoing vessels	Unable to anticipate	Unable to anticipate	Unable to anticipate	\$525,000	\$525,000
15. Exports of gasoline or diesel fuels	Unable to anticipate	Unable to anticipate	Unable to anticipate	\$625,000	\$625,000
<b>Total state revenue loss</b>	\$7,150,000	\$7,095,000	\$6,850,000	\$12,850,000	\$12,850,000
<b>Federally imposed exemptions</b>					
16. Gasoline sales to federal government and its agencies	\$1,771,000*	\$2,000,000*	\$2,000,000	\$2,000,000	\$2,000,000
17. Interstate gasoline shipments/exports	\$1,925,000,000*	\$1,925,000,000*	\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
<b>Total revenue loss from federally imposed exemptions</b>	\$1,926,771,000	\$1,927,000,000	\$1,002,000,000	\$1,002,000,000	\$1,002,000,000
<b>Total petroleum products revenue loss</b>	\$1,933,921,000	\$1,934,095,000	\$1,008,850,000	\$1,014,850,000	\$1,014,850,000

\* Unable to verify with current program for statistics.

<sup>1</sup> Revised amounts obtained from refunds issued.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

Gift Tax

Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions</b>					
1. Specific lifetime-donor exemption; \$30,000	\$1,277,000	\$1,315,500	\$855,000 <sup>1</sup>	\$880,000	\$906,000
2. Gifts made to charitable, religious, or educational institutions located in Louisiana	\$165,000	\$170,000	\$110,000 <sup>1</sup>	\$113,000	\$116,000
3. Gifts made to the United States, the state of Louisiana, or any other political subdivision or civic organization	\$16,000	\$16,500	\$10,000 <sup>1</sup>	\$10,300	\$10,600
4. Gifts to spouse	\$149,000	\$154,000	\$100,000 <sup>1</sup>	\$103,000	\$106,000
<b>Exclusion</b>					
5. Annual exclusion per donee	\$1,950,000	\$2,145,000	\$1,394,000 <sup>1</sup>	\$1,435,000	\$1,478,000
<b>Total gift tax revenue loss</b>	<b>\$3,557,000</b>	<b>\$3,801,000</b>	<b>\$2,469,000</b>	<b>\$2,541,300</b>	<b>\$2,616,600</b>

<sup>1</sup> Based on a 35% reduction in collections for FYE 6-30-06.

# Inheritance Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Exemptions</b>					
1. Direct descendants by blood or affinity	\$3,400,000	\$2,900,000	\$1,015,000 <sup>1</sup>	\$964,000	\$915,000
2. Surviving spouse	\$906,000	\$770,000	\$269,000 <sup>1</sup>	\$255,000	\$242,000
3. Collateral relations; \$1,000 exemption	\$530,000	\$450,000	\$157,000 <sup>1</sup>	\$149,000	\$141,000
4. Strangers or nonrelated persons: \$500 exemption	\$85,000	\$72,000	\$25,000	\$23,000	\$21,000
5. Bequests to charitable, religious, or educational institutions in Louisiana	\$900,000	\$750,000	\$262,000 <sup>1</sup>	\$248,000	\$235,000
6. Bequests to the state, incorporated municipalities, or political subdivisions for exclusive public use	\$240,000	\$200,000	\$70,000 <sup>1</sup>	\$66,000	\$62,000
7. Bequests to out-of-state charitable, religious, or educational institutions	\$58,800	\$50,000	\$17,000 <sup>1</sup>	\$16,000	\$15,000
<b>Exclusions</b>					
8. Proceeds of life insurance payable to named beneficiaries	\$6,588,000	\$1,317,600	\$461,000	\$437,000	\$415,000
9. Qualified retirement or pension plans	NRR	NRR	NRR	NRR	NRR
<b>Total inheritance tax revenue loss</b>	<b>\$12,707,800</b>	<b>\$6,509,600</b>	<b>\$2,276,000</b>	<b>\$2,158,000</b>	<b>\$2,046,000</b>

<sup>1</sup> Based on a 65% reduction in collections for FYE 6-30-06.

# Liquors – Alcoholic Beverage Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Beer tax discount</b>					
1. Discount of 2 percent	\$754,000	\$749,000	\$746,000	\$750,000	\$750,000
<b>Beer, liquor and wine tax refund/credit</b>					
2. Products returned to manufacturer or destroyed by a dealer	\$198,000	\$999,000	\$466,000	\$500,000	\$500,000
<b>Liquor and wine tax exemptions</b>					
3. Antiseptic, scientific, religious, and chemical uses	NRR	NRR	NRR	NRR	NRR
4. Free samples of native wine	NRR	NRR	NRR	NRR	NRR
<b>Liquor and wine tax discount</b>					
5. Discount of 3.33 percent	\$581,000	\$587,600	\$572,000	\$575,000	\$575,000
<b>Total state revenue loss</b>	\$1,533,000	\$2,335,600	\$1,784,000	\$1,825,000	\$1,825,000
<b>Federally imposed tax exemptions</b>					
<b>Beer tax exemptions</b>					
6. Interstate shipments	\$141,375	\$176,500	\$200,500	\$200,000	\$200,000
7. Sales to federal government and its agencies	\$189,750	\$199,100	\$168,200	\$200,000	\$200,000
8. Sales to ships engaged in interstate or foreign commerce	Negligible	Negligible	Negligible	Negligible	Negligible
<b>Liquor and wine tax exemptions</b>					
9. Interstate shipments of alcoholic beverages	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000
10. Foreign consul and foreign commerce	Negligible	Negligible	Negligible	Negligible	Negligible
11. Sales to the federal government and its agencies	\$125,000*	\$125,000*	\$125,000*	\$125,000	\$125,000
<b>Total revenue loss from federally imposed exemptions</b>	\$5,856,125	\$5,900,600	\$5,893,700	\$5,925,000	\$5,925,000
<b>Total liquors-alcoholic beverages tax revenue loss</b>	\$7,389,125	\$8,236,200	\$7,677,700	\$7,750,000	\$7,750,000

\*Unable to verify with current program for statistics

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000

# Miscellaneous Tax

# Five-Year Revenue Loss

Exemptions	FYE 6-04	FYE 6-05	FYE 6-06	FYE 6-07 (projected)	FYE 6-08 (projected)
<b>Public utilities and carriers taxes</b>					
<b>Inspection and supervision fee</b>					
1. Ten-mile zone exclusion	NRR	NRR	NRR	NRR	NRR
2. Power cost exclusion	\$150,000*	\$150,000*	\$150,000	\$150,000	\$150,000
3. Commercial mobile service exclusive	\$75,000*	\$75,000*	\$75,000	\$75,000	\$75,000
<b>Transportation and communications tax</b>					
1. Seven-mile zone exclusion	\$450,000*	\$450,000*	\$450,000	\$450,000	\$450,000
<b>Total public utilities and carriers taxes revenue loss</b>	\$675,000	\$675,000	\$675,000	\$675,000	\$675,000
<b>Telecommunication tax</b>					
1. Deduction of 2 percent	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
<b>Hazardous waste disposal tax</b>					
1. Deduction for compliance	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
<b>Total miscellaneous tax revenue loss</b>	\$725,000	\$725,000	\$725,000	\$725,000	\$725,000

\* Unable to verify with current program for statistics.

\*\*\* = Not in effect

NRR = No Reporting Requirement

Negligible = less than \$10,000



# **Listing of Exemptions**

**Part 4**







# **Corporation Franchise Tax Exemptions**

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# Corporation Franchise Tax

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## ***Introduction***

The Louisiana corporation franchise tax was enacted in 1932. The tax was imposed on every domestic corporation and every foreign corporation authorized or doing business in the state, or using any part of its capital, plant, or any other property in the state. As originally enacted, the tax levied was due and payable for the privilege of carrying on or doing business, exercising of its charter or the continuance of its charter within the state.

An initial tax return covering the period beginning with the date the corporation first becomes liable for filing a return and ending with the close of the accounting period, must be filed on or before the fifteenth day of the third month after the corporation first becomes liable. Thereafter, an annual return is due by the fifteenth day of the fourth month after the close of an accounting period. The tax is due on the first day of the calendar year or the taxpayer's fiscal year.

The law has been amended many times since 1932. However, an amendment in 1970 to replace the privilege of doing business language in the original act with the statement that the tax levied is due and payable on any one or all of the incidents referred to in the law was one of the more important amendments.

## **Legal Citations**

R.S. 47:601 through 47:618

## **Tax Base**

Capital stock, surplus, undivided profits, and borrowed capital

## **Tax Rate**

The tax is currently assessed on the taxable base at the rate of \$1.50 per \$1,000 on the first \$300,000 and \$3.00 per \$1,000 over \$300,000. The tax is based on the larger of the assessed value of all real and personal property in the state or the amount of issued and outstanding capital stock, surplus, undivided profits and borrowed capital attributable to Louisiana.

## **Types of Tax Exemptions**

Corporation franchise tax exemptions are in the form of exemptions/exclusions, deductions, and credits. Exemptions/exclusions generally refer to organizations or corporations that are statutorily exempt from the imposition of the corporation franchise tax due to the nature of their operation. Deductions are generally defined as a reduction to the taxable base. Credits are generally defined as a reduction to the amount of tax due. All tax exemptions related to the corporation franchise tax are listed in this report.

## **Significant Changes Fiscal Year 2005-2006**

There were no significant changes to the Corporation Franchise Tax during the past year.

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# Corporation Franchise Tax

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## *Exemptions/exclusions*

### **1. Agricultural cooperative associations- and farmer credit and farmers' credit cooperative associations**

Qualifying cooperative associations are exempt from corporation franchise tax and all other license taxes, except for the annual \$10 license fee paid to the Secretary of State and ad valorem property taxes. The purpose of this exemption is to minimize the tax burden on these nonprofit associations.

#### **Legal Citation**

R.S. 3:84

#### **Origin**

Acts 1938, No. 40

#### **Effective Date**

July 1, 1938

#### **Beneficiaries**

The agricultural industry.

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

### **2. Cooperative marketing associations**

These associations are exempt from all franchise or other license taxes, except for taxes on real estate, furniture, and fixtures. These associations, however, must pay an annual \$10 license fee. The purpose of this exemption is to minimize the tax burden on these nonprofit organizations.

#### **Legal Citation**

R.S. 3:147

#### **Origin**

Acts 1922, No. 57

#### **Effective Date**

July 1, 1922

#### **Beneficiaries**

Cooperative marketing associations and individuals and companies marketing their goods and services through these organizations.

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

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# Corporation Franchise Tax

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## 3. Credit unions

Credit unions, together with all accumulations therein, are exempt from all taxes except for taxes on immovable property owned. The shares of a credit union are not subject to a stock transfer tax when issued by the corporation or when transferred from one member to another. No fees, taxes, or any of the stipulations as to capital stock set forth in general statutes for corporations apply to credit unions. The purpose of this exemption is to minimize the tax burden on these nonprofit organizations.

### Legal Citation

R.S. 6:662

### Origin

Acts 1924, No. 40

### Effective Date

July 1, 1924

### Beneficiaries

Individuals who are a member of a state or federal chartered credit union

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## 4. Limited liability companies

For corporation franchise tax purposes, limited liability companies are taxed the same as a partnership. Partnerships are not subject to corporation franchise tax, therefore, limited liability companies are not subject to corporation franchise tax.

### Legal Citations

R.S. 9:3441-3447

R.S. 12:1301-1369

### Origin

Acts 1992, No. 780

### Effective Date

July 7, 1992

### Beneficiaries

Shareholders of such organizations

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

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# Corporation Franchise Tax

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## 5. Exemption for certain foreign corporations

Certain foreign corporations operating as mutual savings banks, mutual savings fund societies, real estate investment trusts, state banks or trust companies, insurance companies, corporations associated with real estate investment trust as its advisor, group insurance and annuity corporations, and nonprofit or nontrading corporations are exempt from the corporation franchise tax. The purpose of this exemption is to minimize the tax burden on these corporations.

### Legal Citations

R.S. 12:302(K) and R.S. 12:302(L)

### Origin

Acts 1968, No. 105

### Effective Date

1968

### Beneficiaries

Certain foreign corporations referred to in the law

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## 6. Electric cooperatives

Electric cooperatives are exempt from all income and excise taxes, except for a fee of \$10 per each one hundred persons or fraction thereof to whom electricity is supplied within the state. The purpose of this exemption is to minimize the tax burden on these nonprofit electric cooperatives.

### Legal Citation

R.S. 12:425

### Origin

Acts 1940, No. 266

### Effective Date

July 18, 1940

### Beneficiaries

Individuals and companies purchasing electricity from electric cooperatives

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.



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# Corporation Franchise Tax

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## 7. Exemption for events, activities, or enterprises conducted in domed- stadium facilities

Any events, activities, or enterprises conducted in certain domed-stadium facilities or any open baseball site owned and operated by the state, or any of its agencies, boards, or commissions, with a seating capacity of at least 10,000 and has a professional sports franchise that participates in Class Triple A professional baseball are exempt from all state and local taxes. The purpose of this exemption is to promote use of the dome-stadium facility.

### Legal Citation

R.S. 39:467

### Origin

Acts 1985, No. 2, amended by Acts 2005, No. 391

### Effective Date

May 23, 1985

### Beneficiaries

The activities conducted in the qualifying facilities economically benefit the state and its residents.

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## 8. Exemption for events, activities, or enterprises, conducted in publicly-owned facilities

Any events, activities, or enterprises conducted in certain publicly-owned facilities are exempt from all state taxes provided that the local taxing authority first provides exemption from local taxes. The purpose of this exemption is to promote the use of qualifying facilities.

### Legal Citation

R.S. 39:468

### Origin

Acts 1985, No. 2

### Effective Date

May 23, 1985

### Beneficiaries

The activities conducted in the qualifying facilities economically benefit the state and its residents.

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

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# Corporation Franchise Tax

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## 9. Exemptions for certain corporations

Various franchise tax exemptions have been granted to certain, usually nonprofit, organizations and corporations. The purpose of these exemptions is to minimize the tax burden for qualifying nonprofit organizations. Exempted corporations are listed below:

- a. Labor corporations and corporations organized by labor unions or organizations for the purpose of holding title to property.
- b. Family agricultural and family horticultural corporations organized under the laws of and domiciled in the state of Louisiana.
- c. Certain agricultural and horticultural corporations, other than family corporations, organized under the laws of and domiciled in the state of Louisiana.
- d. Mutual savings banks, national banking corporations, and banking corporations organized under the laws of the state of Louisiana, who pay a tax for their shareholders or whose shareholders pay a tax on their shares of stock under other laws of this state, and building and loan associations.
- e. Fraternal beneficiary societies, orders, or associations operating under the lodge system, or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to members or their dependents.
- f. Cemetery companies owned and operated exclusively for the benefit of their members.
- g. Any corporation, community chest, or fund, organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.
- h. Business leagues, chambers of commerce, real estate boards, or boards of trade not organized for profit and of which no part of the net earnings benefits any private shareholder or individual.
- i. Nonprofit civic leagues or organizations operated exclusively for charitable, educational, or recreational purposes.
- j. Clubs organized and operated exclusively for pleasure, recreation, or other nonprofit purposes.
- k. Benevolent life insurance associations of a

purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations, but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

- l. Insurance companies paying a premium tax under Title 22 of the Louisiana Revised Statutes of 1950.
- m. Certain farmers, fruit growers, or like associations organized and operated on a cooperative basis for the purpose of marketing products or purchasing supplies and equipment.
- n. Corporations organized by exempt farmers' cooperatives to finance crop operations of members.
- o. Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to organizations organized and operated exclusively for religious, charitable, scientific, literary, and educational purposes, of which no part of the net earnings benefits any private stockholder.
- p. Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the association members or their dependents.
- q. Teachers' retirement fund associations of a purely local character, if no part of their net earnings (other than through payment of retirement benefits) benefits any private shareholder or individual, and if the income consists solely of amounts received from public taxation, amounts received from assessments upon the teaching salaries of members, and income from investments.

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# Corporation Franchise Tax

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## 9. Exemptions for certain corporations (continued)

### Legal Citations

R.S. 47:608(1)(a)-(c) and R.S. 47:608(2)-(15)

### Origin

Various legislative acts since 1958

### Effective Date

Various dates from 1958

### Beneficiaries

Members and shareholders of these exempt organizations

### Administration

The purposes of these exemptions are achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## 10. Computation of borrowed capital by corporations affected by Hurricane Katrina or Hurricane Rita

This provision allows corporations having 50 percent or more of their Louisiana property situated or used in the Federal Emergency Management Agency individual assistance areas of Hurricanes Katrina and Rita or deriving 50 percent or more of their revenue in the state from those areas to compute the borrowed capital portion of their corporation franchise tax base at pre-hurricane levels.

### Legal Citation

R.S. 47:609(A)

### Origin

Acts 2005, 1<sup>st</sup> Ex. Sess., No. 27

### Effective Date

Taxable periods beginning after August 28, 2005

### Beneficiaries

Corporations affected by Hurricane Katrina or Hurricane Rita

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate.

# Corporation Franchise Tax

## ***Deductions***

### **11. Phase-Out of Borrowed Capital in Franchise Tax Base**

For taxable years beginning after December 31, 2005, the amount of borrowed capital included in taxable capital will be reduced until fully phased out. The portion of debt included in the taxable base for calendar year taxpayers will be:

2005 income/2006 franchise tax return—86 percent of total debt included,

2006 income/2007 franchise tax return—72 percent of total debt included,

2007 income/2008 franchise tax return—58 percent of total debt included,

2008 income/2009 franchise tax return—44 percent of total debt included,

2009 income/2010 franchise tax return—30 percent of total debt included,

2010 income/2011 franchise tax return—16 percent of total debt included,

2011 income/2012 franchise tax return and after—no debt included.

Guidance for the proper classification of related party transactions (debt vs. equity) has been provided for in R.S. 47:605.1.

#### **Legal Citation**

R.S. 47:602(A), R.S. 47:602(G), R.S. 47:603(A), and R.S. 47:605.1

#### **Origin**

Acts 2004 1<sup>st</sup> Ex. Sess., No. 2

#### **Effective Date**

Taxable Years beginning after December 31, 2005

#### **Beneficiaries**

Corporations having borrowed capital in the franchise tax base

#### **Administration**

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$45,000,000	\$67,600,000

### **12. Bank-holding corporations**

Bank-holding corporations are allowed a deduction from their taxable base for the portion of their assets used to finance the operation of the subsidiary bank. The purpose of this deduction is to prevent the double taxation of these assets; first from the holding company and second from the subsidiary bank.

#### **Legal Citation**

R.S. 47:602(B)

#### **Origin**

Acts 1970, No. 385

#### **Effective Date**

Taxable periods beginning after December 31, 1970

#### **Beneficiaries**

Bank holding corporations and shareholders

#### **Administration**

The purpose of this deduction is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

# Corporation Franchise Tax

## 13. Public-utility holding corporations

A deduction is allowed for public-utility holding corporations. A corporation may deduct from its taxable base that portion of its assets used to finance the operation of its subsidiaries. For taxable periods beginning on or after January 1, 1995, Act 40 of the 1994 Regular Legislative Session amended R.S. 47:602(C) to provide that a regulated public-utility holding company shall compute the deduction from its taxable base by multiplying the sum of its investment in and advances to its subsidiary corporations by its Louisiana corporation franchise tax apportionment percent. Additionally, this legislation provided for a minimum \$100,000 annual corporation franchise tax payment by public-utility holding companies. The purpose of this deduction is to encourage corporations to relocate their principal office in Louisiana.

### Legal Citation

R.S. 47:602(C)

### Origin

Acts 1973, No. 119

### Effective Date

June 1973

### Beneficiaries

Public-utility holding companies, who own subsidiary corporations and who locate their home office in Louisiana, and their shareholders

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$8,467,000	\$8,636,000

## 14. Public water utility companies

Corporations, with one or more subsidiary public water utility corporations, are allowed to deduct the amounts of its investment in and advances to these subsidiary corporations from taxable capital. The purpose of this deduction is to tax these assets at the subsidiary corporation level only.

### Legal Citation

R.S. 47:602(D)

### Origin

Acts 1990, No. 385

### Effective Date

Taxable periods beginning on or after January 1, 1991

### Beneficiaries

Public utility water corporations with investments in and advances to subsidiary corporations and shareholders of public utility water corporations

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$111,000	\$113,000

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# Corporation Franchise Tax

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## 15. Members of controlled groups that include a telephone corporation

Any corporation in a controlled group, having as a member of such group a telephone corporation regulated by the Louisiana Public Service Commission, shall be entitled to deduct from its capital stock, surplus, undivided profits, and borrowed capital, its investment in and advances to any member of the controlled group. The purpose of this deduction is to eliminate double taxation of investments in and advances to an affiliated corporation in a controlled group having a telephone company as a member of the group.

### Legal Citation

R.S. 47:602(E)

### Origin

Acts 1994, No. 134

### Effective Date

Taxable periods beginning on or after January 1, 1994

### Beneficiaries

Corporations in a controlled group having as a member of such group a telephone corporation regulated by the Louisiana Public Service Commission

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,336,000	\$1,363,000

## 16. Insurance Holding Corporations

Any corporation owning at least 80 percent of the capital stock of a subsidiary property and casualty insurance corporation, such subsidiary having capital and surplus of less than \$20 million, is entitled to a deduction from taxable capital in computing franchise tax. The holding corporation can deduct from its taxable base an amount equal to its investments in and advances to the subsidiary that were allocated to Louisiana under R.S. 47:606(B). The deduction is allowable for franchise tax years beginning after June 30, 2002, and ending before January 1, 2005.

### Legal Citation

R.S. 47:602(F)

### Origin

Acts 2002, No. 59

### Effective Date

Taxable periods beginning after June 30, 2002

### Sunset Date

December 31, 2004

### Beneficiaries

Corporations owning at least 80 percent of the capital stock of a subsidiary property and casualty insurance corporation

### Administration

The purpose of this deduction is achieved in a fiscally effective manner

### Estimated Fiscal Effect

This deduction is no longer in effect.

# Corporation Franchise Tax

## 17. Vehicle, Boat and Equipment Dealers

Vehicle, boat and equipment dealers are allowed to deduct from borrowed capital certain indebtedness in computing corporation franchise tax owed. The Act removes from the definition of borrowed capital the amount of master loan agreements entered into by motor vehicle, manufactured homes, recreational vehicles, boat, motorcycle, motor home or farm implement dealers. The loan agreements must be structured in such a way that the financing is secured by a specific identifiable unit, and the loan is repaid as each unit is sold.

### Legal Citation

R.S. 47:603

### Origin

Acts 2002, No. 38

### Effective Date

June 25, 2002

### Beneficiaries

Vehicle, boat and equipment dealers

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Minimal	Minimal

## 18. Regulated utility companies

Certain regulated public utility companies are allowed to deduct from surplus those accounts representing assets for which no money, service, or thing of value was paid by the utility companies except for the regulated service or product. The purpose of this deduction is to effect equal tax treatment for regulated and nonregulated utility companies.

### Legal Citations

R.S. 47:605(C)

R.S. 47:606(E)

### Origin

Acts 1992, No. 156

### Effective Date

Taxable periods beginning on or after January 1, 1993

### Beneficiaries

Public utility companies that are required by their regulatory authority to increase assets and surplus by amounts meeting the statutes' criteria

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0; no additional revenue loss is anticipated.

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# Corporation Franchise Tax

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## ***Tax credit***

### **19. Inventory tax/Ad Valorem tax**

A refundable tax credit is allowed for ad valorem taxes paid to political subdivisions on inventory held by manufactures, distributors, and retailers. A credit is also allowed for ad valorem taxes paid on vessels in Outer Continental Shelf Lands Act Waters. Acts 2005, No. 363 amended R.S. 47:6006(A) to provide a credit for inventory tax paid to political subdivisions on natural gas held, used, or consumed in providing natural gas storage services or facilities.

#### **Legal Citation**

R.S. 47:6006 and R.S. 47:6006.1

#### **Origin**

Acts 1991, No. 153, amended by Acts 2005, No. 363

#### **Effective date**

July 1, 1992

#### **Beneficiaries**

All corporations paying ad valorem taxes on inventory benefit from this credit, which will help to promote economic development.

#### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

The estimated fiscal effect of the inventory tax credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

## ***Other credits***

### **20. Employment of the previously unemployed**

A tax credit is allowed for employment of each previously unemployed person in a qualified newly created full-time job. The credit, \$750 for each qualified new job, is allowed during the taxable period that the employee has completed one year of full-time service with the employer. The credit is in lieu of other job tax credits provided for in the law. The purpose of this credit is to encourage employment of the previously unemployed.

#### **Legal Citation**

R.S. 47:6004

#### **Origin**

Acts 1989, No. 636

#### **Effective Date**

Taxable periods beginning on or after July 1, 1990

#### **Beneficiaries**

Corporations who hire the previously unemployed benefit from this credit. The state also benefits because these individuals are now employed and productive.

#### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.



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# Corporation Franchise Tax

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## 21. Donations to assist qualified playgrounds

A tax credit is allowed for donations to assist qualified playgrounds in certain economically depressed areas. The donation may be in the form of cash, equipment, goods, or services and is limited to \$1,000 or 1/2 the value of the donation, whichever is less. The purpose of this credit is to encourage donations to qualifying playgrounds.

### Legal Citation

R.S. 47:6008

### Origin

Acts 1992, No. 898

### Effective Date

Taxable periods beginning after December 31, 1992

### Beneficiaries

Economically depressed areas benefit from this credit, which should help to improve the quality of life of the residents.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

## 22. Louisiana basic-skills training

Corporations are allowed a credit of \$250 per qualified employee who participates in a basic-skills training program at an accredited school. The credit cannot exceed \$30,000 for any single business in a particular year. Basic-skills training means any employer-paid training for qualified employees that enhances the employees' reading, writing, or mathematical skills to at least a twelfth-grade level. The purpose of this credit is to encourage corporations to provide basic-skills training, which will result in a more educated workforce.

### Legal Citation

R.S. 47:6009

### Origin

Acts 1992, No. 1098

### Effective Date

July 1, 1993

### Beneficiaries

Individuals benefit from this credit by enabling them to bring their reading, writing, and mathematical skills to at least a twelfth-grade level. A better educated employee will be an asset to employers and the state.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

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# Corporation Franchise Tax

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## 23. Donations to public elementary or secondary schools

A credit is allowed for qualified donations made to public elementary or secondary schools. The credit allowed is for 40 percent of the appraised value of the donation and not to exceed the taxpayer's total tax liability for the year. "Qualified donation" means a donation of immovable property purchased or otherwise acquired by a corporation and donated to a public school immediately adjacent or contiguous to the property.

### Legal Citation

R.S. 47:6013

### Origin

Acts 1998, No. 51

### Effective date

July 1, 1998

### Beneficiaries

Corporations that make such donations and public schools in the state benefit.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

## 24. Louisiana capital investment tax credit

Corporations are allowed a tax credit amount equal to five percent of the capital costs of a qualifying project. The credit is against the corporation franchise tax that is generated by or arising out of the qualifying project in each of the 20 years commencing with the year during which the qualifying project is placed in service. Certain small projects must employ at least 15 new employees and certain large projects must employ at least 20 new employees at an average compensation between \$8 and \$10 per hour in order to take the credit. The purpose of this credit is to encourage creation of new jobs through industry expansion.

### Legal Citation

R.S. 51:2771

### Origin

Acts 1996 1<sup>st</sup> Ex. Sess., No. 42

### Effective Date

July 1, 1996

### Sunset Date

June 30, 2000

However, credits granted prior to June 30, 2002, shall remain effective for the remainder of the 20-year period.

### Beneficiaries

Corporations that reduce their corporation franchise tax with this credit and individuals who are employed as a result of project expansions

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

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# Corporation Franchise Tax

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## 25. Low-income housing

A tax credit is allowed for providers of certain low-income housing. The credit is computed in accordance with the provisions of Section 42 of the 1986 Internal Revenue Code as modified by Acts 1990, No. 972. The purpose of this credit is to encourage development of low-income housing.

### Legal Citation

R.S. 47:12

### Origin

Acts 1990, No. 1033

### Effective Date

July 1, 1990

### Sunset Date

December 31, 1993, However unused credits can be carried forward until used.

### Beneficiaries

Entities and individuals who provide low-income housing and recipients of low-income housing

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

## 26. Purchase of qualified new recycling manufacturing or process equipment and/or service contracts

A credit is allowed for the purchase of new recycling manufacturing or process equipment and/or qualified service contracts. The amount of the credit is computed at 20 percent of the cost of the equipment less other tax credits received for the purchase of the equipment, but may not exceed 50 percent of the tax liability before the credit. If the equipment is sold before the total credit is claimed, the credit otherwise allowable may be claimed in the tax year of the sale and any unused credit is canceled for future periods. Total credits certified by the secretary of the Department of Environment Quality in any calendar year shall not exceed five million dollars.

### Legal Citation

R.S. 47:6005

### Origin

Acts 1991, Nos. 359 and 1052, amended by Acts 2005, No. 319

### Effective Date

Taxable periods beginning on or after July 1, 1991

### Sunset Date

December 31, 2000. The credit may be carried forward until credit is exhausted or the equipment is sold.

### Reestablished

June 30, 2005

### Beneficiaries

Corporations who invest in qualifying equipment benefit from this credit. The general public also benefits from an improved environment.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

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# Corporation Franchise Tax

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## 27. Donations of material, equipment, or instructors made to certain training providers

A credit is allowed against corporation franchise tax for donations of materials, equipment, or instructors made to training providers vocational/technical schools, apprenticeship programs registered with the Louisiana Department of Labor, or community colleges within the state. The credit is for one-half the value of the materials, equipment, or services donated. The tax credit when combined with other tax credits cannot exceed 20 percent of the employer's tax liability for any taxable year.

### Legal Citation

R.S. 47:6012

### Origin

Acts 1998, No. 30, amended by Acts 2002, No. 11.

### Effective date

June 24, 1998

### Sunset date

December 31, 2000

### Reestablished

August 15, 2002 for taxable periods beginning after December 31, 2002.

### Beneficiaries

Individuals who take the tax credit and the citizens of the state that benefit from better equipped training facilities.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

## 28. Credit for Debt Issuance Costs

An economic development corporation is allowed a credit equal to the filing fee paid to the Louisiana Bond Commission for the preparation and issuance of bonds.

The credit shall be taken as a credit against the applicable tax or taxes in the taxable period in which the expenses were incurred, not to exceed the total tax liability for that taxable year.

### Legal Citation

R.S. 47:6017

### Origin

Acts 2002, No. 78

### Effective Date

June 25, 2002

### Beneficiaries

Economic development corporations

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

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# Corporation Franchise Tax

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## **29. Credit for Purchases from Prison Industry Enhancement Contractors**

A tax credit is allowed for the state sales and use taxes paid on purchases of specialty apparel items from a Private Sector Prison Industry Enhancement (PIE) contractor. PIE contractors use inmate labor to produce items for sale and then pay 30 percent of the salary paid to the inmates back to the state.

### **Legal Citation**

R.S. 47:6018

### **Origin**

Acts 2002, No. 32

### **Effective Date**

The credit is effective for Income and Franchise Tax becoming due after December 31, 2002

### **Beneficiaries**

Private Sector Prison Industry Enhancement contractor

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

## **30. Credit for Rehabilitation of Historic Structures**

A tax credit is allowed for the eligible cost and expenses incurred during the rehabilitation of a historic structure located in a downtown development district. The credit shall not exceed 25 percent of the eligible costs and expenses and no taxpayer or affiliate shall receive more than \$5,000,000 of credit for rehabilitation within a particular downtown development district. The credit is earned only in the year in which the property attributable to the expenditures is placed in service.

### **Legal Citation**

R.S. 47:6019

### **Origin**

Acts 2002, No. 60, amended Acts 2004, 1<sup>st</sup> Ex. Sess., No. 12; Acts 2005, No. 439

### **Effective Date**

Effective for the period July 1, 2002 through December 31, 2009

### **Sunset Date**

December 31, 2009

However, there is a five-year carryforward of unused credits.

### **Beneficiaries**

Individuals or businesses rehabilitating a qualified historic structure

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

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# Corporation Franchise Tax

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## **31. Louisiana Community Development Financial Institutions Act Credit**

This provision creates the Louisiana Community Development Financial Institutions Act. A Louisiana Community Development Financial Institution (LCDFI) is any legal entity whose primary business activity is the investment of cash to acquire equity in or provide financing assistance as a licensed business and industrial development corporation to qualified Louisiana businesses in low-income communities and provides for an income and franchise tax credit for individuals and businesses that invest in LCDFIs. It provides that the LCDFI corporations themselves will be exempt from corporation income and franchise taxes for five consecutive taxable periods. The investment credit is to be calculated as 75 percent of the investment. These credits are transferable and can be carried forward indefinitely. The total amount that can reduce tax revenues in fiscal years 2006 through 2007 is \$5 million. Any unused allocation of credits from a previous year may be carried forward and granted in the next year. The program terminates on July 1, 2007, but provisions relevant to any granted tax credits continue to apply until July 1, 2010.

### **Legal Citation**

R.S. 51:3075 through 3088

### **Origin**

Acts 2005, No. 491

### **Effective Date**

July 12, 2005

### **Sunset Date**

July 1, 2007, but provisions relevant to any granted tax credits continue to apply until July 1, 2010.

### **Beneficiaries**

Taxpayers that invest in LCDFI's, and the LCDFI will benefit from the tax credits allowed under this provision and low-income communities will benefit from the creation of jobs and economic activity.

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Impact**

The estimated fiscal effect of this credit is shown in the listing of credits for corporation income tax and includes the total revenue loss for corporation income and franchise taxes.

# **Gift Tax Exemptions**

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# Gift Tax

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# Gift Tax

## *Introduction*

The Louisiana gift tax law was enacted in 1940 to complement the inheritance tax law. With minor exceptions, it was patterned after the federal gift tax law.

The gift tax is imposed on donations between living persons, real or disguised, and transfers for an inadequate consideration in money's worth. It is irrelevant whether the transfer is in trust or otherwise, or whether the property is movable or immovable, corporeal, or incorporeal.

## **Legal Citations**

R.S. 47:1201 through 47:1212

## **Tax Base**

The tax base consists of the true and full value of property transferred by gift (donations between living persons) based on the interest conveyed at the date of transfer. The tax base also includes the value of property transferred with donative intent for an amount less than adequate consideration in money or money's worth based on its true and full value at the date of transfer.

## **Tax Rate**

The tax rates are two percent of the first \$15,000 total sum of gifts in excess of the annual exclusion and specific lifetime exemption and three percent of any excess over \$15,000.

## **Types of Tax Exemptions**

Gift tax exemptions are in the form of exclusions and exemptions. Exclusions are the portion of the true and actual value of a gift that is excluded from the tax base by statute. Exemptions are the true and actual value of gifts included in the tax base, but specifically exempted from the tax imposed.

## **Significant Changes Fiscal Year 2005-2006**

There were no significant changes to the gift tax laws during the past year.

## *Exemptions*

### **1. Specific lifetime exemption: \$30,000**

This exemption allows donors to exempt up to \$30,000 during their lifetime in computing the amount of any gift subject to tax. A donor may claim the total, or any portion of the specific lifetime exemption in any calendar year, or spread it over several calendar years. The purpose of this exemption is to provide the donor with a \$30,000 exemption to cover gifts that exceed the annual exclusion for each donee.

## **Legal Citation**

R.S. 47:1205(B)

## **Origin**

Acts 1972, No. 569

## **Effective Date**

July 12, 1972

## **Beneficiaries**

Persons transferring property benefit from this exemption.

## **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$880,000	\$906,000

# Gift Tax

## 2. Gifts made to charitable, religious, or educational institutions located in Louisiana

This exemption allows gifts made exclusively to charitable, religious, or educational institutions located within Louisiana to be exempt from and excluded from the tax base, provided no part of the net earnings benefits any private shareholder or individual. The purpose of this exemption is to exempt donative transfers made to charitable, religious, or educational institutions located in Louisiana from the gift tax.

### Legal Citation

R.S. 47:1204(1)

### Origin

Acts 1940, No. 149

### Effective Date

July 12, 1940

### Beneficiaries

Charitable, religious, or educational institutions located within Louisiana receiving gifts

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$113,000	\$116,000

## 3. Gifts made to the United States, the state of Louisiana, or its political subdivisions or civic organizations

This exemption allows the gifts made to the United States, the state of Louisiana, or any political subdivision thereof, or civic organization to be exempted and excluded from the tax base, provided the donor does not benefit directly or indirectly from the gift. The purpose of this exemption is to exempt donative transfers made to the United States, the state of Louisiana, or any political subdivision thereof, or any civic organization from the payment of gift tax.

### Legal Citation

R.S. 47:1204(2)

### Origin

Acts 1940, No. 149

### Effective Date

July 12, 1940

### Beneficiaries

The U.S. Government, State of Louisiana, any political subdivision thereof, or civic organization receiving a gift

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$10,300	\$10,600

# Gift Tax

## 4. Gifts to spouse

This exemption allows gifts made to a spouse to be exempted and excluded from the tax base. The purpose of this exemption is to provide a total exemption for gifts made to a spouse.

### Legal Citation

R.S. 47:1204(3)

### Origin

Acts 1987, No 236

### Effective Date

July 2, 1987

### Beneficiaries

Persons receiving gifts from their spouses

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$103,000	\$106,000

## *Exclusion*

## 5. Annual exclusion per donee

This exclusion allows an amount per donee to be excluded annually in computing the amount of gifts made to each donee in any calendar year. From 1972 through 1985, the annual exclusion was \$3,000 per donee; from 1986 through 2001, the annual exclusion was \$10,000 per donee. Beginning with gifts made after December 31, 2001, the amount of the annual exclusion per donee is equal to the amount allowed for federal gift tax purposes. The purpose of this exclusion is to exclude the initial amount of gifts made to a donee.

### Legal Citation

R.S. 47:1205(A)

### Origin

Acts 2002, No. 15

### Effective Date

August 15, 2002

### Beneficiaries

Donors and donees of gifts during any one calendar year

### Administration

The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,435,000	\$1,478,000

# **Hazardous Waste Disposal Tax Exemption**

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# Hazardous Waste Disposal Tax

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## ***Introduction***

In 1984, Act 8 of the First Extraordinary Session, levied a one-time tax on the hazardous waste content of the land. The tax was at the rate of \$2 per ton of waste disposed or stored in the land during 1981, 1982, 1983, and the first six months of 1984. This tax was administered by the Department of Environmental Quality, but collected by the Department of Revenue.

Also, by this same Act, the hazardous waste disposal tax was levied on the disposal of hazardous waste in Louisiana and on certain storage of wastes. The disposal tax rates were set at \$5 per dry-weight ton of waste disposed at the same site where produced or generated and \$10 per dry-weight ton of waste disposed or stored at a site other than where produced or generated. The tax was deemed collectible from the generator of the hazardous waste, if the generator disposed of his own hazardous waste, or from the disposer who must collect the tax from the generator of the waste at the time that the disposer received the waste. All generators and disposers must be registered with the Louisiana Department of Environmental Quality.

In 1988, Act 655 increased the rates to \$10 per dry-weight ton of hazardous waste disposed on site and \$20 per dry-weight ton of hazardous waste disposed at another site. This act further provided that the rates would increase \$1 per year until 1998. Additional provisions of the 1988 Act were the imposition of a tax of \$25 per dry-weight ton of extremely hazardous waste disposed in Louisiana and for the taxation of waste imported into Louisiana for disposal or storage.

The tax rates were again increased in 1990 by the passage of Act 391. This legislation changed the rates from \$10, \$20, and \$25 per dry-weight ton to \$30, \$60, and \$100, respectively. An additional provision allowed a credit of 0.5 percent of the tax due for collecting and remitting the tax timely. A tax on the transportation of hazardous and extremely hazardous wastes was also levied at the rate of \$25 per gross-weight ton of hazardous or extremely hazardous wastes transported in Louisiana for disposal or storage in Louisiana.

During the 1992 Regular Legislative Session, Act 526 was enacted which reduced the tax on the disposal of waste at a site other than where produced from \$60 per dry-weight ton to \$40 per dry-weight ton. This legislation also repealed the tax on transporting hazardous or extremely hazardous waste effective July 1, 1992.

## **Legal Citations**

R.S. 47:821 through 47:832

## **Tax Base**

Dry-weight ton, or fraction thereof, of hazardous or extremely hazardous wastes disposed in Louisiana and of hazardous wastes stored for more than 90 days

## **Tax Rate**

Effective July 1, 1992:

- \$30 per ton of hazardous waste disposed at the site where produced
- \$40 per ton of hazardous waste disposed at a site other than where produced
- \$100 per ton of extremely hazardous waste disposed

*Imported wastes* produced out-of-state and disposed in Louisiana are taxed at either the current effective tax rate or at the rate that would be paid for disposal in the generating state, whichever is higher.

## **Types of Tax Exemptions**

For hazardous waste disposal tax purposes, tax exemptions are in the form of a deduction. The deduction, for this purpose, is a specific reduction to the amount of tax due.

## **Significant Changes Fiscal Year 2005-2006**

There were no significant changes in the hazardous waste disposal tax laws during the past year.

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# Hazardous Waste Disposal Tax

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## *Deduction*

### **1. Deduction for compliance**

A deduction of 0.5 percent is allowed for the accurate and timely accounting for and remitting of the taxes due. The purpose of this deduction is to encourage compliance and to compensate companies for expenses relating to collection and remittance of the tax.

### **Legal Citation**

R.S. 47:823(E)

### **Origin**

Acts 1990, No. 391

### **Effective Date**

August 1, 1990

### **Beneficiaries**

Those parties responsible for collecting and remitting the taxes due benefit from this deduction. The state benefits from the prompt remittance of the taxes.

### **Administration**

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$20,000	\$20,000





# **Corporation Income Tax Exemptions**

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# Corporation Income Tax

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# Corporation Income Tax

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# Corporation Income Tax

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# Corporation Income Tax

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## *Introduction*

The Louisiana corporation income tax was authorized by the 1921 state constitution. The first tax was levied in 1934 at the rate of four percent of corporate earnings exceeding \$3,000. In 1977, Louisiana raised the income tax rate from a flat rate of four percent to a five-tier tax rate schedule that ranged from four percent of the first \$25,000 of taxable income to a maximum of eight percent of the taxable income exceeding \$200,000.

Like many other states that impose a corporate income tax, Louisiana closely follows the federal system. That is, the state employs the federal definition of income and deductions with certain modifications. Act 16 of the First Extraordinary Session of 1986 enacted R.S. 47:287.2 through 47:287.785 relative to corporation income tax and provided for the conformance of this tax to the federal tax system.

For multistate corporations, Louisiana net income is generally determined through formula apportionment. Under the formula apportionment method, total net income is generally apportioned to Louisiana based on the average of three factors: property, revenue, and wages. Louisiana allows a deduction for federal income tax in computing taxable income.

Domestic corporations organized under the laws of Louisiana, unless specifically exempted, must file an income tax return each year. Foreign corporations, organized under the laws of other states, who derive income from Louisiana sources, regardless of whether or not they have net income, must file an income tax return unless specifically exempted.

An income tax return must be filed on or before the fifteenth day of the fourth month following the close of an accounting period.

## **Legal Citations**

R.S. 47:287.2 through 47:287.785

## **Tax Base**

Taxable income earned within or derived from sources within Louisiana

## **Tax Rate**

Four percent on the first \$25,000; five percent on the next \$25,000; six percent on the next \$50,000; seven percent on the next \$100,000; eight percent on the taxable income above \$200,000.

## **Type of Tax Exemptions**

Corporation income tax exemptions are in the form of exemptions/exclusions, deductions, and credits. An exemption/exclusion generally means that a corporation is statutorily exempt from the imposition of the corporate income tax because of the nature of the corporation's business or a specific item of income that is not taxed. Deductions are generally defined as a reduction in net income to arrive at taxable income. Credits are generally defined as a reduction to the amount of tax due. All exemptions related to corporation income tax are contained in this report.

The federal income tax deduction, although a statutory deduction, is also required by the state constitution. Repeal of this deduction requires a vote of the people. For this reason, this deduction has been separated from the others and appears at the end of this section.

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# Corporation Income Tax

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## **Significant Changes Fiscal Year 2005-2006**

Acts 2006, 1<sup>st</sup> Ex. Session, No. 31 provides, relative to the income and corporation franchise tax credits allowed under R.S. 47:6006(A), 6006.1(A), and 6014(A) for ad valorem taxes paid, to allow taxpayers to consider ad valorem taxes paid after December 31, 2005, but before April 16, 2006, as being paid on December 31, 2005. This provision is effective for all taxable periods beginning after December 31, 2004.

Acts 2006, 2<sup>nd</sup> Ex. Session, No. 4 enacts R.S. 47:6025, which authorizes a refundable credit against individual income, corporate income and fiduciary income tax for the full amount of any surcharges, market equalization charges, or assessments paid by a taxpayer during a taxable year as a result of the 2005 regular assessment or the emergency assessments levied due to Hurricanes Katrina and Rita.

As a result of losses on insured property caused by Hurricanes Katrina and Rita, the Louisiana Citizens Property Insurance Corporation determined that a plan year deficit existed for the plan year 2005. In order to finance the 2005 plan year deficit, the corporation levied the 2005 regular assessment against affected insurance companies which was passed on through a surcharge by the affected insurance companies to their commercial and residential property and casualty policyholders. The corporation also issued assessment revenue bonds which are to be paid primarily from the proceeds of the 2005 emergency assessments, which will be levied on residential and commercial policyholders in the state annually beginning January 1, 2007. The bonds are scheduled to mature in 2027 and the credit will be in effect until the bonds are repaid.

For calendar year taxpayers, Citizens assessments paid in 2006 will be a credit against 2006 income tax. Citizens assessments paid after December 31, 2006 will be claimed on the income tax return filed for the year in which the payment was made.

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# Corporation Income Tax

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## *Exemptions and exclusions*

### **1. Credit unions**

Credit unions, together with all accumulations therein, are exempt from all taxes except for immovable property owned. The shares of a credit union are not subject to a stock-transfer tax when issued by the corporation or when transferred from one member to another. No fees or taxes, nor any of the stipulations as to capital stock set forth in general statutes for corporations, apply to credit unions. The purpose of this exemption is to minimize the tax burden on these nonprofit organizations.

#### **Legal Citation**

R.S. 6:662

#### **Origin**

Acts 1924, No. 40

#### **Effective Date**

July 1, 1924

#### **Beneficiaries**

Individuals who are a member of a state- or federal-chartered credit union

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

### **2. Exemption for certain foreign corporations**

Certain foreign corporations operating as mutual savings banks, mutual savings funds societies, real estate investment trusts, state banks or trust companies, insurance companies, corporations associated with real estate investment trusts, group insurance and annuity corporations, and nonprofit or nontrading corporations are exempt from state corporation income tax. The purpose of this exemption is to grant financial assistance to qualifying corporations.

#### **Legal Citations**

R.S. 12:302(K) and (L)

#### **Origin**

Acts 1968, No. 105

#### **Effective Date**

1968

#### **Beneficiaries**

Certain foreign corporations referred to in the law

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.



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# Corporation Income Tax

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## 3. Electric cooperatives

Electric cooperatives are exempt from all excise and income taxes, except for the fee of \$10 for each 100 persons, or fraction thereof, to whom electricity is supplied within the state. The purpose of this exemption is to minimize the tax burden on nonprofit electric cooperatives.

### Legal Citation

R.S. 12:425

### Origin

Acts 1924, No. 266

### Effective Date

July 1, 1940

### Beneficiaries

Individuals and companies purchasing electricity from electric cooperatives

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## 4. Exemption for events, activities, or enterprises conducted in domed-stadium or certain baseball facilities

Any event, activity, or enterprise conducted in certain domed-stadium or any open baseball site owned and operated by the state, or any of its agencies, boards, or commissions, with a seating capacity of at least 10,000 and has a professional sports franchise that participates in Class Triple A professional baseball is exempt from all state and local taxes. The purpose of this exemption is to promote use of the domed stadium.

### Legal Citation

R.S. 39:467

### Origin

Acts 1985, No. 2, amended by Acts 2005, No. 391

### Effective Date

May 23, 1985

### Beneficiaries

The increased use of the dome-stadium facilities benefits the state and its residents.

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

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# Corporation Income Tax

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## 5. Exemption for events, activities, or enterprises conducted in publicly-owned facilities

Any event, activity, or enterprise conducted in certain publicly-owned facilities is exempt from all state taxes provided that the local taxing authority first provides exemption from local taxes. The purpose of this exemption is to promote use of qualifying facilities.

### Legal Citation

R.S. 39:468

### Origin

Acts 1985, No. 2

### Effective Date

May 23, 1985

### Beneficiaries

The increased use of publicly-owned facilities benefits the state and its residents.

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## 6. State banking corporations and shareholders

State banking corporations and their shareholders are exempt from corporation income tax. The purpose of this exemption is to grant state corporations and their shareholders the same tax exemptions allowed to national banking corporations and their shareholders.

### Legal Citations

R.S. 47:8 and R.S. 47:287.71(B)

### Origin

Acts 1966, No. 445

### Effective Date

July 1, 1966

### Beneficiaries

State chartered banks and their shareholders.

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

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# Corporation Income Tax

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## 7. Dividends from national banking corporations

Dividends from national banking corporations are excluded from the gross income of corporations. The federal law in effect at the time the state income tax statutes were enacted prohibited states from taxing dividends of national banking corporations. Although this prohibition was removed, Louisiana did not change its statutes to tax these dividends. The purpose of this exclusion is to comply with federal laws in effect at the time of enactment.

### Legal Citations

R.S. 47:42 and R.S. 47:287.71(B)

### Origin

Acts 1934, No. 21

### Effective Date

1934

### Beneficiaries

Individual and corporate shareholders of national banking corporations

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## 8. Interest on state or local government obligations

Interest earned on state or local obligations is excluded from gross income. The purpose of this exclusion is to encourage investment in Louisiana obligations.

### Legal Citations

R.S. 47:48 and R.S. 47:287.71(B)(4)

### Origin

Acts 1934, No. 21

### Effective Date

1934

### Beneficiaries

State and local governments and the individuals and entities that invest in their obligations

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

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# Corporation Income Tax

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## 9. Governmental subsidies for operating public transportation systems

Funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system are excluded from gross income. The purpose of this exclusion is to provide financial assistance to public transportation systems.

### Legal Citations

R.S. 47:51 and R.S. 47:287.71(B)(2)

### Origin

Acts 1979, No. 300

### Effective Date

Taxable periods beginning on or after January 1, 1979

### Beneficiaries

Certain public-service corporations.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0; this exclusion has been inactive. No future activity is anticipated.

## 10. Income from carriage on the high seas

Income derived from commerce on the high seas is excluded from gross income. At the time this exclusion was passed in 1942, Louisiana taxed domestic corporations on income from all sources. Since the law was changed to tax only income derived from sources within the state, the apportionment method should theoretically achieve the same result. The purpose of this exclusion is to tax only income derived from Louisiana sources.

### Legal Citation

R.S. 47:53

### Origin

Acts 1942, No. 100

### Effective Date

1942

### Beneficiaries

Originally, this exclusion benefited domestic corporations deriving income from engaging in commerce on the high seas. Theoretically, this income is now apportioned outside Louisiana.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0; no future activity is anticipated.

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# Corporation Income Tax

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## **11. Certain exempt corporations, organizations, etc.**

Organizations described in Internal Revenue Code sections 401(a) or 501 are exempt from corporation income tax to the extent that those organizations are exempt from income taxation under federal law. Also, the Louisiana corporation income statute exempts certain other organizations, corporations, etc. The purpose of this exemption is to provide financial assistance to these nonprofit organizations. The following is a list of exempt entities:

- a. Labor, agricultural, and horticultural organizations that are educational or instructive in character, and are designed to encourage the development of agricultural and horticultural products. The income from these organizations must be used exclusively to meet the necessary expenses of upkeep and operation.
- b. Mutual savings banks, national banking corporations, and banking corporations organized under the laws of the state of Louisiana, who pay a tax for their shareholders, or whose shareholders pay a tax on their shares of stock under other laws of this state, and building and loan associations.
- c. Fraternal beneficiary societies, orders, or associations operating under the lodge system, or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to members of the society, order, or association or their dependents.
- d. Nonprofit cemetery companies owned and operated exclusively for the benefit of their members.
- e. Any corporation, community chest, or fund, organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.
- f. Business leagues, chambers of commerce, real estate boards, or boards of trade not organized for profit and no part of the net earnings benefits any private shareholder or individual.
- g. Nonprofit civic leagues or organizations operated exclusively for charitable, educational, or recreational purposes.
- h. Clubs organized and operated exclusively for pleasure, recreation, or other nonprofit purposes.

- i. Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations, but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.
- j. Farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations (including interinsurers and reciprocal underwriters), but only if the income of which is used or held for the purpose of paying losses or expenses.
- k. Certain farmers, fruit growers, or like associations organized and operated on a cooperative basis for the purpose of marketing products or purchasing supplies and equipment.
- l. Corporations organized by exempt farmers' cooperatives to finance crop operations of members.
- m. Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to organizations that are organized and operated exclusively for religious, charitable, scientific, literary, and educational purposes. No part of the net earnings can benefit any private stockholder.
- n. Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of the association or their dependents.
- o. Teachers' retirement fund associations of a purely local character, if no part of their net earnings (other than through payment of retirement benefits) benefits a private shareholder or individual, and if the income consists solely of amounts received from public taxation, amounts received from assessments upon the teaching salaries of members, and income in respect of investments.

# Corporation Income Tax

## 11. Certain exempt corporations, organizations, etc. (continued)

### Legal Citations

R.S. 47:121(1)-(15), R.S. 47:287.501(A), R.S. 47:287.501(B)(I), and R.S. 47:287.521(A)

### Origin

Acts 1934, Nos. 21 and 28, amended by Acts 1986, No. 16

### Effective Date

1934

### Beneficiaries

Members and shareholders of these exempt corporations

### Administration

The purpose of these exemptions are achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

## *Deductions*

### 12. Percentage depletion

An additional deduction in determining net income is allowed for oil and gas depletion. The deduction is based on a percentage of gross income from the property limited to 50 percent of the net income from the property calculated without the deduction for depletion. The purpose of this deduction is to promote oil and gas exploration and production.

### Legal Citations

R.S. 47:158(C) and R.S. 47:287.745

### Origin

Acts 1934, No. 21

### Effective Date

1934

### Beneficiaries

Corporations with percentage depletion on oil and gas properties that is greater than their cost depletion

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$18,000,000	\$18,000,000

# Corporation Income Tax

## 13. Net Louisiana operating loss

Corporations are allowed to carry a net operating loss deduction back for 3 years and forward for 15 years. The purpose of this deduction is to allow corporations to offset losses made in one tax year with income earned in another.

### Legal Citations

R.S. 47:246 and R.S. 47:287.86

### Origin

Acts 1979, No. 586

### Effective Date

Taxable periods beginning after December 31, 1978

### Beneficiaries

Corporations that have losses for one year that can be offset against income earned during other years

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$66,641,000	\$68,640,000

## 14. Subchapter S corporation

Corporations classified as S corporations under Subchapter S of the Internal Revenue Code may deduct a percentage of their Louisiana net income to arrive at taxable income. The percentage is determined by dividing the number of issued and outstanding shares of capital stock of the Subchapter S corporation owned by Louisiana resident individuals on the last day of the corporation's taxable year by the total number of issued and outstanding shares of capital stock of the corporation on the last day of the corporation's taxable year. The purpose of this deduction is to limit taxation on Subchapter S corporations to either the corporate or shareholder level.

### Legal Citation

R.S. 47:287.732

### Origin

Acts 1989, No. 622

### Effective Date

Taxable periods beginning on or after January 1, 1991

### Beneficiaries

Subchapter S corporation shareholders

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$261,730,000	\$269,582,000

# Corporation Income Tax

## *Credits*

### **15. Corporation jobs**

A credit is allowed for each employee hired into a newly created job. The amount of the credit depends on whether the new employee qualifies as economically disadvantaged or is a resident of a neighborhood with an unemployment rate of 10 percent or more. The total jobs credit is limited to 50 percent of the tax liability. The purpose of this credit is to encourage corporations to create new jobs in Louisiana.

#### **Legal Citations**

R.S. 47:34, R.S. 47:287.34, and R.S. 47:287.749

#### **Origin**

Acts 1978, No. 596, amended by Acts 1986, No.16

#### **Effective Date**

1978

#### **Beneficiaries**

Corporations creating new jobs

#### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$107,000	\$112,000

## *Other Credits*

### **16. Inventory tax/Ad valorem tax**

A refundable tax credit is allowed for ad valorem taxes paid to political subdivisions on inventory held by manufactures, distributors, and retailers. A credit is also allowed for ad valorem taxes paid on vessels in Outer Continental Shelf Lands Act Waters. Acts 2005, No. 363 amended R.S. 47:6006(A) to provide a credit for inventory tax paid to political subdivisions on natural gas held, used, or consumed in providing natural gas storage services or facilities.

#### **Legal Citation**

R.S. 47:6006 and R.S. 47:6006.1

#### **Origin**

Acts 1991, No. 153, amended by acts 1994, No. 28; Acts 1994 3<sup>rd</sup> Ex. Sess., No. 59, Acts 2005, No. 363

#### **Effective Date**

July 1, 1992

#### **Beneficiaries**

All corporations paying ad valorem taxes on inventory

#### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$231,953,000	\$238,912,000



# Corporation Income Tax

## 17. Credit for ad valorem tax paid by certain telephone companies

A credit is allowed for 40 percent of the total ad valorem taxes paid to Louisiana political subdivisions by telephone companies on their public service properties.

The credit is effective for income and franchise tax years ending on or after December 31, 2001.

### Legal Citation

R.S. 47:6014

### Origin

Acts 2000, No. 22

### Effective Date

The credit is effective for income and franchise tax years ending on or after December 31, 2001.

### Beneficiaries

Telephone companies in an amount equal to 40 percent of ad valorem taxes paid to political subdivisions for public service properties

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$23,000,000	\$24,000,000

## 18. Credit for Purchases from Prison Industry Enhancement Contractors

A tax credit is allowed for the state sales and use taxes paid on purchases of specialty apparel items from a Private Sector Prison Industry Enhancement (PIE) contractor.

PIE contractors use inmate labor to produce items for sale and then pay 30 percent of the salary paid to the inmates back to the state.

### Legal Citation

R.S. 47:6018

### Origin

Acts 2002, No. 32

### Effective Date

The credit is effective for income and franchise tax becoming due after December 31, 2002

### Beneficiaries

Private Sector Prison Industry Enhancement contractors

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

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# Corporation Income Tax

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## **19. Cash donations to the Dedicated Research Investment Fund**

A credit is allowed for cash donations of \$200,000 or more to the Dedicated Research Investment Fund. The purpose of this credit is to encourage donations to qualifying funds, which will assist the research industry in the state.

### **Legal Citation**

R.S. 51:2203

### **Origin**

Acts 1987, No. 300

### **Effective Date**

July 5, 1987

### **Beneficiaries**

Qualifying research institutions

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

## **20. Hiring eligible re-entrants**

A credit is allowed for hiring re-entrants who have been convicted of a felony and who have successfully completed the Intensive Incarceration Program. The purpose of this credit is to provide job opportunities to qualified individuals.

### **Legal Citation**

R.S. 47:287.748

### **Origin**

Acts 1987, No. 758

### **Effective Date**

Taxable periods beginning after December 31, 1986

### **Beneficiaries**

Individuals employed as a result of this tax credit

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

# Corporation Income Tax

## 21. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions

A credit is allowed to corporations, persons, estates, and trusts that donate, sell below cost, or contribute properties of a sophisticated and technological nature to educational institutions in the state of Louisiana. The credit allowed is 40 percent of the property's value, or, in the case of sales below cost, 40 percent of the difference between the price received and the property's value, subject to the limitations prescribed in the statute. The purpose of this credit is to encourage donations of qualifying equipment to educational institutions.

### Legal Citations

R.S. 47:37, R.S. 47:287.34, and R.S. 47:287.755

### Origin

Acts 1983, No. 667

### Effective Date

January 1, 1984

### Beneficiaries

Educational institutions, students, teachers, and the state as a whole

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$4,000	\$5,000

## 22. Neighborhood assistance

A credit is allowed to businesses that provide neighborhood assistance, job training for individuals, community service, or crime prevention to upgrade impoverished areas. The Commissioner of Administration may allow a credit of up to 70 percent of the actual amount contributed to approved programs. The total amount of the tax credit granted for programs approved by the Commissioner may not exceed one percent of the total amount of state corporate income tax collected in the prior fiscal year. The credit for any corporation shall not exceed \$250,000. The purpose of this credit is to encourage assistance to impoverished areas.

### Legal Citations

R.S. 47:35, R.S. 47:287.34, and R.S. 47:287.753

### Origin

Acts 1982, No. 653

### Effective Date

July 22, 1982

### Beneficiaries

Residents of impoverished areas of the state

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Minimal

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# Corporation Income Tax

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## 23. Employment of the previously unemployed

A credit is allowed for employment of each previously unemployed person in a qualified newly created full-time job. The credit is \$750 for each qualified new job and employee and is allowed during the taxable period that the employee has completed one year of full-time service with the employer. The credit is in lieu of other job tax credits provided for in the law. The purpose of this credit is to encourage creation of new jobs, which will provide job opportunities for the unemployed.

### Legal Citation

R.S. 47:6004

### Origin

Acts 1989, No. 636

### Effective Date

Taxable periods beginning on or after July 1, 1990

### Beneficiaries

Corporations that hire the previously unemployed in a newly created full-time job benefit from this credit. The state as a whole benefits because these individuals are now employed and productive.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Minimal

## 24. Alternative fuel usage

A credit is allowed for vehicle conversion to certain alternative-fuel usage or for the purchase of vehicles that use certain alternative fuels. The amount of the credit is 20 percent of the cost of qualified clean-burning motor vehicle fuel property. If the vehicle is purchased with the equipment installed by the manufacturer, the tax credit is the lesser of 20 percent of 10 percent of the cost of the motor vehicle or \$1,500. The purpose of this credit is to encourage the usage of alternative fuels, which will result in a cleaner environment.

### Legal Citation

R.S. 47:287.757

### Origin

Acts 1991, No. 1060

### Effective Date

January 1, 1991

### Beneficiaries

The general public benefits from this credit as the result of a cleaner environment.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

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# Corporation Income Tax

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## 25. Bone-marrow donor expense

A credit is allowed for bone-marrow donor expenses incurred by employers. The credit is for 25 percent of the expenses paid or incurred during the tax year by an employer to provide a program for employees who are potential or actual bone-marrow donors. The purpose of this credit is to encourage bone-marrow donations.

### Legal Citation

R.S. 47:287.758 and R.S. 47:297(I)

### Origin

Acts 1992, No. 206

### Effective Date

August 21, 1992

### Beneficiaries

Individuals who need bone-marrow transplants

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

## 26. Employee and dependent health insurance coverage credit

A tax credit is allowed for providing employee and dependent health insurance coverage when any contractor or subcontractor with a contract for the construction of a public work offers health insurance coverage and pays at least 75 percent of the total premium for the health insurance coverage for each full-time employee who elects to participate and pays at least 50 percent of total premium for each dependent of the full-time employee who elects to participate. Contractors who participate are eligible for a five percent income tax credit on 40 percent of the amount of the contract received in a tax year, not to exceed \$3,000,000 per year. The credit is allowed against the income tax for the period in which the credit is earned.

### Legal Citation

R.S. 47:287.759

### Origin

Acts 2005, No. 504

### Effective Date

For tax years beginning on and after January 1, 2005

### Sunset Date

December 31, 2007

### Beneficiaries

Qualified contractors or subcontractors offering health insurance coverage

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$42,000	\$45,000

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# Corporation Income Tax

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## **27. Employment of certain first-time nonviolent offenders**

A credit of \$200 per employee per year for a maximum of two years is allowed for employing certain first-time nonviolent offenders. The offender must have successfully completed a court-ordered program and have worked 180 full-time days. The purpose of this credit is to encourage employment of first-time nonviolent offenders.

### **Legal Citations**

R.S. 47:287.34, R.S. 47:287.752, and  
R.S. 47:297(K)

### **Origin**

Acts 1994, No. 104, amended by Acts 2005, No. 285

### **Effective Date**

Taxable periods beginning on or after January 1, 1994

### **Beneficiaries**

First-time nonviolent offenders who are employed by businesses that receive the credit and the companies and individuals who employ them

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

## **28. Donations to assist qualified playgrounds**

A credit is allowed for donations to assist qualified playgrounds in certain economically depressed areas. The credit shall be an amount equal to the lesser of \$1,000 or 1/2 of the value of the donation. The purpose of this credit is to encourage donations to qualified playgrounds.

### **Legal Citation**

R.S. 47:6008

### **Origin**

Acts 1992, No. 898

### **Effective Date**

Tax periods beginning after December 31, 1992

### **Beneficiaries**

The people living in economically depressed areas

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

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# Corporation Income Tax

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## 29. Louisiana basic-skills training

Corporations are allowed a credit of \$250 per qualified employee who participates in a basic-skills training program at an accredited school. The credit cannot exceed \$30,000 for any single business in a particular year. Basic-skills training means any employer-paid training for qualified employees that enhances the employees' reading, writing, or mathematical skills to at least a twelfth-grade level. The purpose of this credit is to encourage corporations to provide basic-skills training, which will result in a more educated work force.

### Legal Citation

R.S. 47:6009

### Origin

Acts 1992, No. 1098

### Effective Date

July 1, 1993

### Beneficiaries

Individuals benefit from this credit by enabling them to bring their reading, writing, and mathematical skills to at least a 12-grade level. A better educated employee will be an asset to employers and the state.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

## 30. Insurance company premium tax

A credit is allowed for any premium taxes paid to the Insurance Commissioner of the state of Louisiana. The purpose of this credit is to allow an offset for the premium taxes paid. An offset provided under R.S. 22:1068 and R.S. 22:1382 against the premium tax liability has reduced the impact of the premium tax credit.

### Legal Citation

R.S. 47:227

### Origin

Acts 1934, Nos. 21 and 61

### Effective Date

1934

### Beneficiaries

Insurance companies that pay premium taxes

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$11,092,000	\$11,400,000

# Corporation Income Tax

## 31. Certain refunds issued by utilities

Refunds made by utility companies, resulting from denial of rate increases, may be credited against gross income. If a deduction from gross income would result in a net loss, the utility company may elect to take an income tax credit subject to certain limitations. The purpose of this credit is to accurately reflect the utility company's gross income.

### Legal Citations

R.S. 47:265 and R.S. 47:287.664

### Origin

Acts 1960, Nos. 1 and 210

### Effective Date

1960

### Beneficiaries

Utility companies making refunds under these circumstances

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The effects of this credit have been replaced by the provisions of the net operating loss statute. (See R.S. 47:287.86.) Therefore, as long as §287.86, is valid there should be no fiscal effect.

## 32. Donations to public elementary or secondary schools

A credit is allowed for qualified donations made to public elementary or secondary schools. The credit allowed is for 40 percent of the appraised value of the donation and not to exceed the taxpayer's total tax liability for the year. "Qualified donation" means a donation of immovable property purchased or otherwise acquired by a corporation and donated to a public school immediately adjacent or contiguous to the property.

### Legal Citation

R.S. 47:6013

### Origin

Acts 1998, No. 51

### Effective date

July 1, 1998

### Beneficiaries

Corporations that make donations and public schools in the state

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Minimal	Minimal



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# Corporation Income Tax

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## 33. Low-income housing

A credit is allowed to providers of certain low-income housing. The credit is computed in accordance with the provisions of Section 42 of the 1986 Internal Revenue Code as modified by Act 972 of the 1990 Legislative Session. The purpose of this credit is to encourage investment in low-income housing.

### Legal Citation

R.S. 47:12

### Origin

Acts 1990, No. 1033

### Effective Date

Taxable periods beginning on or after July 1, 1990

### Sunset date

December 31, 1993

### Beneficiaries

Corporations providing low-income housing and the tenants in the housing

### Administration

The purpose of this credit is achieved in a fiscally effective manner, as taxpayers can carry over credits to succeeding years until used.

### Estimated Fiscal Effect

Unable to anticipate

## 34. Purchase of qualified new recycling manufacturing or process equipment and/or service contracts

A credit is allowed for the purchase of new recycling manufacturing or process equipment and/or qualified service contracts. The amount of the credit is computed at 20 percent of the cost of the equipment less other tax credits received for the purchase of the equipment, but may not exceed 50 percent of the tax liability before the credit. If the equipment is sold before the total credit is claimed, the credit otherwise allowable may be claimed in the tax year of the sale and any unused credit is canceled for future periods. Total credits certified by the secretary of the Department of Environment Quality in any calendar year shall not exceed five million dollars.

### Legal Citation

R.S. 47:6005

### Origin

Acts 1991, Nos. 359 and 1052, amended by Acts 2005, No. 319

### Effective Date

Taxable periods beginning on or after January 1, 1991

### Sunset date

December 31, 2000

However, unused credits may be carried forward until credit is exhausted or the equipment is sold.

### Reestablished

June 30, 2005

### Beneficiaries

The state's improved environment will benefit the general public.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

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# Corporation Income Tax

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## **35. Donations of property to certain offices and agencies**

A credit is allowed for 50 percent of the value of historical property donated to the Old State Capitol, the State Capitol Complex, and the State Archives. The amount of the credit in any year is limited to 25 percent of the donor's tax liability. Unused credits may be carried over to subsequent years. The maximum amount of credit that may be granted in the aggregate in any single year is \$70,000. The purpose of this credit is to encourage donations to certain state agencies property with historical value. This serves to preserve such property for future generations.

### **Legal Citation**

R.S. 47:6011

### **Origin**

Acts 1996, No. 10

### **Effective Date**

August 1, 1996

### **Sunset Date**

June 30, 2000

However, unused credits may be carried forward until full credit has been used

### **Beneficiaries**

Corporations that make donations

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

## **36. Donations of material, equipment, or instructors made to certain training providers**

A credit is allowed for donations of materials, equipment, or instructors made to training providers vocational/technical schools, apprenticeship programs registered with the Louisiana Department of Labor, or community colleges within the state. The credit is for one-half the value of the materials, equipment, or services donated. The tax credit when combined with other tax credits cannot exceed 20 percent of the employer's tax liability for any taxable year.

### **Legal Citation**

R.S. 47:6012

### **Origin**

Acts 1998, No. 30, amended by Acts 2002, No. 11.

### **Effective date**

June 24, 1998

### **Sunset date**

December 31, 2000

### **Reestablished**

August 15, 2002 for taxable periods beginning after December 31, 2002.

### **Beneficiaries**

Individuals who take the tax credit and the citizens of the state that benefit from better equipped training facilities

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

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# Corporation Income Tax

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## 37. Credit for Debt Issuance Costs

An economic development corporation is allowed a credit equal to the filing fee paid to the Louisiana Bond Commission for the preparation and issuance of bonds.

The credit shall be taken as a credit against the applicable tax or taxes in the taxable period in which the expenses were incurred, not to exceed the total tax liability for that taxable year.

### Legal Citation

R.S. 47:6017

### Origin

Acts 2002, No. 78

### Effective Date

June 25, 2002

### Beneficiaries

Economic development corporations

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

## 38. Credit for Rehabilitation of Historic Structures

A tax credit is allowed for the eligible cost and expenses incurred during the rehabilitation of a historic structure located in a downtown development district. The credit shall not exceed 25 percent of the eligible costs and expenses and no taxpayer or affiliate shall receive more than \$5,000,000 of credit for rehabilitation within a particular downtown development district. The credit is earned only in the year in which the property attributable to the expenditures is placed in service.

This credit is effective for the period July 1, 2002, through December 31, 2008.

### Legal Citation

R.S. 47:6019

### Origin

Acts 2002, No. 60, amended Acts 2004, 1<sup>st</sup> Ex. Sess., No. 12; Acts 2005, No. 439

### Effective Date

Effective for the period July 1, 2002 through December 31, 2008

### Sunset Date

December 31, 2008, however, there is a five-year carryforward of unused credits

### Beneficiaries

Individuals or businesses rehabilitating a qualified historic structure

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$91,000	\$94,000

# Corporation Income Tax

## 39. Louisiana Community Development Financial Institutions Act Credit

This provision creates the Louisiana Community Development Financial Institutions Act. A Louisiana Community Development Financial Institution (LCDFI) is any legal entity whose primary business activity is the investment of cash to acquire equity in or provide financing assistance as a licensed business and industrial development corporation to qualified Louisiana businesses in low-income communities and provides for an income and franchise tax credit for individuals and businesses that invest in LCDFIs. It provides that the LCDFI corporations themselves will be exempt from corporation income and franchise taxes for five consecutive taxable periods. The investment credit is to be calculated as 75 percent of the investment. These credits are transferable and can be carried forward indefinitely. The total amount that can reduce tax revenues in fiscal years 2006 through 2007 is \$5 million. Any unused allocation of credits from a previous year may be carried forward and granted in the next year. The program terminates on July 1, 2007, but provisions relevant to any granted tax credits continue to apply until July 1, 2010.

### Legal Citation

R.S. 51:3075 through 3088

### Origin

Acts 2005, No. 491

### Effective Date

July 12, 2005

### Sunset Date

July 1, 2007, but provisions relevant to any granted tax credits continue to apply until July 1, 2010

### Beneficiaries

Taxpayers that invest in LCDFI's, and the LCDFI will benefit from the tax credits allowed under this provision and low-income communities will benefit from the creation of jobs and economic activity.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,600,000	\$1,635,000

## 40. Credit for the LA Citizens Property Insurance Corporation Assessments

A refundable credit will be allowed in the amount of surcharges, market equalization charges, or assessments paid as a result of the assessments levied by the Louisiana Citizens Property Insurance Corporation due to Hurricanes Katrina and Rita. This credit is available to taxpayers who paid the assessments as a part of their property insurance premium.

### Legal Citation

R.S. 47:6025

### Origin

Acts 2006, 2nd Ex. Sess., No. 4

### Effective Date

Taxable periods beginning on or after January 1, 2006

### Beneficiaries

Taxpayers who have paid the assessments levied by the LA Citizens Property Insurance Corporation

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Impact

The estimated fiscal impact of this credit is shown in the listing of exemptions for individual income tax and includes the total revenue loss for individual income tax and corporation income tax.

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# Corporation Income Tax

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## 41. Federal income tax deduction

A deduction is allowed for federal income taxes paid on income taxed by Louisiana. The purpose of this deduction is to reduce the corporate income tax burden.

### Legal Citations

La. Const., art. VII, Part I, § 4(A), R.S. 47:55,  
R.S. 47:241, R.S. 47:287.85

### Origin

1974 Constitution and Acts 1974, No. 188

### Effective Date

1974

### Beneficiaries

All corporate taxpayers that paid federal income tax.

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$60,244,000	\$62,051,000

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# **Individual Income Tax Exemptions**

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# Individual Income Tax

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# Individual Income Tax

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## ***Introduction***

Louisiana's individual income tax was first imposed in 1934. The tax is assessed on a resident individual's income derived from all sources and a nonresident individual's income derived from Louisiana sources. Resident individuals are allowed a credit for income tax paid to other states on income that is also taxed by Louisiana.

Like other states that impose a personal income tax, Louisiana closely follows the federal system utilizing the federal definition of income and deductions with certain modifications. Louisiana tax-table income is a modified federal adjusted gross income less federal income taxes paid.

The income tax base is partially diminished by a combined personal exemption/standard deduction of \$4,500 for single filers and married taxpayers filing separately or \$9,000 for married taxpayers filing jointly, head-of-household filers, and qualifying widowers. Additional \$1,000 deductions are given for each dependent and each taxpayer who is blind or 65 years of age or older.

Any resident, nonresident, or part-year resident required to file a tax return must do so by the fifteenth day of the fifth month after the close of their taxable year.

## **Legal Citations**

R.S. 47:21 through 47:285

R.S. 47:290 through 47:299

## **Tax Base**

The tax base is comprised of federal adjusted gross income less federal income tax with adjustments for other modifications to federal adjusted gross income.

The deduction for excess itemized deductions has been repealed and the income tax brackets have been revised for all taxable periods beginning after December 31, 2002, with the passing of the amendment of La. Const. art. VII, §4(A) and passing of La. Const. art. VII, §2.2.

## **Tax Rate**

Effective for taxable periods beginning after December 31, 2002, tax tables are used to determine tax liability using rates as follows:

Married couple filing joint return or qualifying widow:

2% on the first \$25,000

4% on the next \$25,000

6% on the taxable income above \$50,000

Single, Head of Household, or married filing separately:

2% on the first \$12,500

4% on the next \$12,500

6% on the taxable income above \$25,000

## **Type of Tax Exemptions**

Individual income tax exemptions are in the form of exemptions/exclusions, deductions, and credits. Exemptions/exclusions generally mean a specific item of income that is not included in taxable income. Deductions are generally defined as a reduction in net income to arrive at taxable income. Credits are generally defined as a reduction to the amount of tax due. All exemptions related to individual income tax are contained in this report.

The federal income tax deduction, although a statutory deduction, is also required by the state constitution. Repeal of this deduction requires a vote of the people. For this reason, this deduction has been separated from the other exemptions and appears at the end of this section.

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# Individual Income Tax

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## **Significant Changes Fiscal Year 2005 -2006**

Acts 2006, 1st Ex. Session, No. 25 makes the following changes to R.S. 47:293, which are retroactive to the 2004 income tax year:

1. Amends R.S. 47:293(3)(b)(i) to provide that the Louisiana federal income tax deduction will not be reduced by any federal disaster relief income tax credits or casualty loss deductions and not just the federal disaster relief credits and casualty losses related to Hurricanes Katrina or Rita.
2. Enacts R.S. 47:293(6)(f) to extend the state income tax exemption for the first \$30,000 of income received by military personnel for active duty service outside of the state through taxable periods ending before January 1, 2008.
3. Enacts R.S. 47:293(6)(a)(ix) and (7) to provide for Louisiana income tax deductions that would otherwise be disallowed by Internal Revenue Code §280C.

Under IRC §280C, if an employer elects to claim certain federal tax credits, the employer's federal deduction for wage and salary expense must be reduced by the same dollar amount of the credits claimed. Those credits include:

- a. The Work Opportunity Credit;
- b. The Indian Employment Credit;
- c. The Employee Retention Credit;
- d. The Empowerment Zone Credit;
- e. The Post-2001 Renewal Community Employment Credit; and
- f. The Hurricane Katrina housing credit for employers providing housing to employees.

Act 25 allows employers to deduct the expenses that are disallowed under IRC §280C for wage and salary expense in determining Louisiana taxable income.

Acts 2006, 1st Ex. Session, No. 31 provides, relative to the income and corporation franchise tax credits allowed under R.S. 47:6006(A), 6006.1(A), and 6014(A) for ad valorem taxes paid, to allow taxpayers to consider ad valorem taxes paid after December 31, 2005, but before April 16, 2006, as being paid on December 31, 2005. This provision is effective for all taxable periods beginning after December 31, 2004.

Acts 2006, 2nd Ex. Session, No. 4 enacts R.S. 47:6025, which authorizes a refundable credit against individual income, corporate income and fiduciary income tax for the full amount of any surcharges, market equalization charges, or assessments paid by a taxpayer during a taxable year as a result of the 2005 regular assessment or the emergency assessments levied due to Hurricanes Katrina and Rita.

As a result of losses on insured property caused by Hurricanes Katrina and Rita, the Louisiana Citizens Property Insurance Corporation determined that a plan year deficit existed for the plan year 2005. In order to finance the 2005 plan year deficit, the corporation levied the 2005 regular assessment against affected insurance companies which was passed on through a surcharge by the affected insurance companies to their commercial and residential property and casualty policyholders. The corporation also issued assessment revenue bonds which are to be paid primarily from the proceeds of the 2005 emergency assessments, which will be levied on residential and commercial policyholders in the state annually beginning January 1, 2007. The bonds are scheduled to mature in 2027 and the credit will be in effect until the bonds are repaid.

For calendar year taxpayers, Citizens assessments paid in 2006 will be a credit against 2006 income tax. Citizens assessments paid after December 31, 2006 will be claimed on the income tax return filed for the year in which the payment was made.

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# Individual Income Tax

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## *Exemptions/exclusions*

### **1. Annual retirement income exclusion**

Persons 65 years or older may exclude up to \$6,000 of annual retirement income from their taxable income. The purpose of this exclusion is to reduce the tax burden for persons 65 years or older.

#### **Legal Citation**

R.S. 47:44.1

#### **Origin**

Acts 1981, No. 880

#### **Effective Date**

Taxable periods beginning after December 31, 1980

#### **Beneficiaries**

Retirees, 65 years or older, with taxable retirement income

#### **Administration**

The purpose of this exemption/exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$14,288,000	\$14,717,000

### **2. Disability income exclusion**

Beginning January 1, 2001, \$6,000 of annual disability income received by an individual, as provided in R.S. 23:1221(2), is exempt from income tax. An individual claiming an exemption under R.S. 47:79(A)(2), for blindness, loss of one or more limbs, mental retardation, or for deafness is not eligible for this exemption.

#### **Legal Citation**

R.S. 47:44.1(B)

#### **Origin**

Act 2000, No. 34

#### **Effective Date**

January 1, 2001

#### **Beneficiaries**

Individual receiving certain disability income

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

We are unable to estimate the fiscal effect of the exclusion since no data existed at the time of this report.

# Individual Income Tax

## 3. State employees, teachers, and other retirement benefits exclusion

Individuals receiving benefits from certain retirement systems are allowed to exclude those benefits from their Louisiana tax-table income. Acts 68 and 69 of 1991, amended and reenacted R.S. 33:7203 and R.S. 40:427.2(E), relative to Municipal and State Police Employees Retirement Systems, to provide that deferred retirement option plan funds are exempt from state income tax. The purpose of this exclusion is to shelter certain retirement benefits from the income tax.

### Legal Citations

R.S. 11:405 State Employees' Retirement System  
 R.S. 11:570 Funded Judicial Retirement Plan  
 R.S. 11:1378 Non-contributory Judicial Retirement Plan Beginning after Dec. 30, 1980  
 R.S. 11:704 Teachers' Retirement System  
 R.S. 11:704 Teachers' Retirement System of Orleans Parish  
 R.S. 11:1003 Louisiana School Employees' Retirement System  
 R.S. 11:1331 State Police Pension and Retirement System  
 R.S. 11:1397 Pensions for Confederate Veterans and Widows of Confederate Veterans  
 R.S. 11:1403 Assessors Retirement Fund  
 R.S. 11:1526 Clerks' of Court Retirement and Relief Fund  
 R.S. 11:1583 District Attorneys' Retirement System  
 R.S. 11:1735 Municipal Employees' Retirement System  
 R.S. 11:1735 City of Baton Rouge Retirement System  
 R.S. 11:1735 Employees' Retirement System of East Baton Rouge Parish  
 R.S. 11:1735 Employees' Retirement System of Shreveport  
 R.S. 11:1905 Parochial Employees' Retirement System  
 R.S. 11:1905 Employees' Retirement System of Jefferson Parish  
 R.S. 11:3014 City of Alexandria Employees' Retirement System  
 R.S. 11:3051 City of Bogalusa Employees'

Retirement System

R.S. 11:2033 Registrars of Voters Employees' Retirement System  
 R.S. 11:2182 Sheriffs' Pension and Relief Fund  
 R.S. 11:2228 Municipal Police Employees' Retirement System  
 R.S. 11:2263 Firefighters Retirement System (See note at end of this list.)  
 R. S. 11:3140 Firemen's Pension and Relief Fund for the Consolidated Fire Districts Bastrop  
 R. S. 11: 3161 Firemen's Pension and Relief for Baton Rouge  
 R. S. 11:3171 Firemen's Pension and Relief Fund for Bogalusa (Some retirees may still get a check from this fund. Active firemen have merged with the Firefighters' Retirement System.)  
 R.S. 11:3389 Firefighters' Pension and Relief Fund of New Orleans  
 R.S. 11:3513 Policemen's Pension and Relief Fund for City of Monroe  
 R.S. 11:3566 Policemen's Pension and Relief Fund for Alexandria  
 R.S. 11:3568 Policemen's Pension and Relief Fund for City of Bossier City  
 R.S. 11:3608 Policemen's Pension and Relief Fund for City of Lafayette  
 R.S. 11:3658 Policemen's Pension and Relief Fund for the Police Department of the City of New Orleans  
 R.S. 11:2228 Policemen's Pension and Relief Fund for Lafayette  
 R.S. 11:3691 Harbor Police Retirement System (Port of New Orleans)  
 R.S. 11:2228 Policemen's Pension and Relief Fund of the City of Shreveport  
 R.S. 11:3770 Bus Drivers' Pension and Relief Fund of the City of Monroe  
 R.S. 11:3800 Electrical Workers' Pension and Relief Fund of the City of Monroe  
 R.S. 11:3823 Employees' Retirement System of the Sewage and Water Board of the City of New Orleans  
 R.S. 17:1613 LSU Retirement System  
 R.S. 47:44.2 Railroad Retirement System Benefits

# Individual Income Tax

R.S. 47:44.2 Social Security Retirement Benefits  
R.S. 47:52 Disability Pay to World War II Veterans  
U.S.C.A. 45:231(m) Railroad Retirement Supplemental

**Note:** The Firefighters' Retirement System was established effective January 1, 1980, by R.S. 11:2251 et seq. As of October 1999, all of the local firefighters' retirements systems have merged with this system except the systems for the cities of Baton Rouge and New Orleans. The following information is provided just in case it might be needed.

Firemen's Pension and Relief Fund of:

R.S. 11:3118 Bogalusa  
R.S. 11:3205 Bossier City  
R.S. 11:3229 Houma  
R.S. 11:3258 Kenner  
R.S. 11:3294 Lafayette  
R.S. 11:3321 Lake Charles  
R.S. 11:3345 Monroe  
R.S. 11:3408 Ouachita  
R.S. 11:3440 Shreveport  
R.S. 11:3470 West Monroe

## Origin

Various legislation since 1946

## Effective Date

1946 and subsequent years

## Beneficiaries

Retirees of various public retirement systems and individuals receiving social security benefits or railroad retirement payments

## Administration

The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$93,866,000	\$96,682,000

## 4. Federal retirement benefits exclusion

Federal retirement benefits received by federal retirees, both military and nonmilitary, may be excluded from Louisiana taxable income. The purpose of this exclusion is to shelter federal retirement benefits from the income tax.

## Legal Citation

R.S. 47:44.2

## Origin

Acts 1989, No. 812

## Effective Date

1988 and subsequent taxable periods

## Beneficiaries

Individuals receiving federal retirement income, both military and nonmilitary

## Administration

The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$22,717,000	\$23,399,000



# Individual Income Tax

## 5. Certain compensation paid to military personnel

Compensation of \$30,000 or less paid to a member of the United States armed forces for services performed outside the state will be exempt from income tax. The exemption is for tax periods beginning after December 31, 2002 and ending before January 1, 2008. Such member must be on active duty and the duty must be continuous and uninterrupted for 120 days or more.

### Legal Citation

R.S. 47:293(6)(e)

### Origin

Act 2000, No. 34, amended Acts 2006, 1<sup>st</sup> Ex. Sess. No. 25

### Effective Date

January 1, 2001

### Beneficiaries

Military personnel deriving income outside Louisiana

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$3,730,000	\$3,842,000

## 6. Exclusion for certain income reported to shareholders of banks organized as S Corporations

An S Bank shareholder may exclude an amount equal to the S Bank shareholder's nontaxable income from Louisiana tax table income. S Bank non-taxable income is defined as the portion of the income reported by an S Bank on Form 1120S Schedule K-1, or equivalent document, which is attributable to the net earnings used to compute the S Bank's shares tax as provided in R.S. 47:1967.

### Legal Citation

R.S. 47:297.3, R.S. 47:300.6 (B)(2)(d), and R.S. 47:300.7 (C)(2)(c)

### Origin

Acts 2002, No. 30

### Effective Date

Tax periods beginning on or after January 1, 2003

### Beneficiaries

Individuals, trusts, and estates that are S Bank Shareholders

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$884,000	\$884,000



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# Individual Income Tax

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## 7. Exemption for Resident Estates and Trusts

Resident estates and trusts are allowed to exempt up to \$2,500 of their federal taxable income when calculating their Louisiana taxable income. The \$2,500 exemption includes any exemption allowed under IRC section 642(a).

### Legal Citation

R.S. 47:300.6(B)(2)(c)

### Origin

Acts 2000, No. 40

### Effective Date

Taxable periods beginning after December 31, 2000.

### Beneficiaries

Resident Estates and trusts subject to Louisiana income tax

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect of the exclusion since no data existed at the time of this report.

## *Deductions*

## 8. Disabled individual home adaptation expense

Individuals with a disability, as described by R.S. 51:2232(11), that is permanent in nature are allowed to deduct from gross income up to \$5,000 of expenses incurred to make necessary adaptations to their home. The disabled individual's gross family income must be \$50,000 or less to qualify for this deduction. The purpose of this deduction is to provide financial relief to individuals for expenses incurred modifying their homes to accommodate disabilities.

### Legal Citations

R.S. 47:59.1

### Origin

Acts 1994, No. 11

### Effective Date

June 7, 1994

### Beneficiaries

Individuals with disabilities who incur qualified home adaptation expenses

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to estimate the fiscal effect. There is no reporting requirement for the data.

# Individual Income Tax

## 9. Dependent exemption/deduction

A \$1,000 deduction from the lowest tax bracket is allowed for each dependent. The purpose of this deduction is to reduce the tax burden for taxpayers with dependents.

### Legal Citations

R.S. 47:79 and R.S. 47:294(B)

### Origin

Acts 1934, No. 21, amended by Acts 1980, No. 316

### Effective Date

January 1, 1935

### Beneficiaries

All individual taxpayers who file a tax return and claim one or more dependents

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$26,214,000	\$27,000,000

## 10. Excess federal itemized deductions

The excess federal itemized deduction has been repealed with the passing of the amendment of La. Const. art. VII, §4(a) and passing of La. Const. art. VII, §2.2 for taxable periods beginning after December 31, 2002 (Acts 2002, No. 51).

Prior to changes made to the Constitution of Louisiana, taxpayers were allowed to deduct a portion of the federal itemized deductions that were in excess of the federal standard deduction. The purpose of this deduction was to shelter a portion of a taxpayer's income from state income tax.

### Legal Citation

R.S. 47:293

### Origin

Acts 1980, No. 316, amended by Acts 2000, No. 38, Acts 2002, No. 24, and Acts 2002, No. 51

### Effective Date

Repealed

### Beneficiaries

Individual taxpayers who itemize their federal deductions

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

This deduction was repealed effective for taxable periods beginning after December 31, 2002.

# Individual Income Tax

## 11. Student Tuition Assistance

Relative to the Student Tuition Assistance and Revenue Trust Program, the amount an owner deposits into an education savings account shall be deducted from taxable income up to a maximum of \$2,400 per account owned per taxable year for account owners filing single returns and up to a maximum of \$4,800 per beneficiary per taxable year for account owners filing joint returns. An individual may designate on his income tax return that any part of his income tax refund be deposited into the fund. Any funds withdrawn from the account to pay expenses other than qualified higher education expense as defined in R.S. 17:3092(10) is included in taxable income. The law was amended in 2001 to allow for the difference between the total deposited, if less than the maximum and \$2,400 to be carried forward to subsequent years.

### Legal Citations

R.S. 17:3095(A)(1), 17:3098, 47:120.62, and 47:293(6)(a)(vi)

### Origin

Acts 2000, No. 45, amended by Acts 2001, No. 332, Acts 2005, No. 292

### Effective Date

July 1, 2000, for taxable periods after January 1, 2001

### Beneficiaries

All individuals who deposit funds into a qualified education saving account

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$577,000	\$594,000

## 12. Personal exemption/standard deduction

Taxpayers are allowed a deduction from tax table income. The combined personal exemption/standard deduction is \$4,500 for taxpayers filing single or separate returns and \$9,000 for taxpayers filing joint returns or as head of household and is deducted from the lowest tax bracket. The purpose of this deduction is to shelter a portion of a taxpayer's income from state income tax.

### Legal Citation

R.S. 47:294(A)

### Origin

Acts 1934, No. 21

### Effective Date

1934

### Beneficiaries

All individual taxpayers who file a tax return

### Administration

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$221,938,000	\$228,596,000

\* The fiscal effect assumes no restrictions on eliminating this deduction. Assuming that to reduce this deduction below the levels in effect January 1, 1974, would require a constitutional amendment, 58 percent of the fiscal effect should be considered constitutionally protected.

# Individual Income Tax

## *Credits*

### 13. Net income taxes paid to other states

A credit is allowed for taxes paid to other states. The purpose of this credit is to allow taxpayers to deduct the income tax paid to other states on income also taxed by Louisiana, so as not to subject the taxpayer to double taxation.

#### Legal Citation

R.S. 47:33

#### Origin

Acts 1946, No. 203

#### Effective date

1946

#### Beneficiaries

Louisiana resident individuals who derive taxable income from other states

#### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$30,630,000	\$31,549,000

### 14. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions

A credit is allowed for contributions of tangible personal property of a sophisticated and technological nature to educational institutions. The credit allowed is 40 percent of the property's value, or, in the case of sales below cost, 40 percent of the difference between the price received and the property's value, subject to the limitations prescribed in the statute. The purpose of this credit is to allow a tax credit to corporations, persons, estates, and trusts that donate, sell below cost, or contribute properties of a sophisticated and technological nature to educational institutions in the state of Louisiana.

#### Legal Citation

R.S. 47:37 and R.S. 47:287.755

#### Origin

Acts 1983, No. 667

#### Effective Date

January 1, 1984

#### Beneficiaries

Educational institutions, students, teachers, the state as a whole, donors who make a contribution of equipment

#### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$679,000	\$699,000

# Individual Income Tax

## 15. Certain disabilities

A credit of \$100 is allowed for taxpayers, spouses, or dependents who are blind, deaf, mentally incapacitated, or have lost the use of a limb. The purpose of this credit is to reduce the tax burden for persons with certain disabilities.

### Legal Citation

R.S. 47:297(A)

### Origin

Acts 1980, No. 316

### Effective Date

Taxable periods beginning after December 31, 1979

### Beneficiaries

Individual taxpayers with certain disabilities

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,247,000	\$2,314,000

## 16. Special allowable credits

A credit is allowed for ten percent of the amount of certain federal income tax credits. Beginning in 1975, the use of federal tax as an entry into state tax tables gave taxpayers benefit of the following credits:

- credit for contributions to candidates for public office
- credit for the elderly
- credit for child and dependent care expenses
- investment credit
- foreign tax credit
- work incentive credit
- jobs credit
- residential energy credit

In 1980, the method was changed to use federal adjusted gross income to calculate the amount of tax due. Because the change eliminated federal tax credits, this provision was enacted. Beginning in 1986, the credit was limited to \$25. The purpose of this credit is to allow some of the federal credits to also be applied against the state tax liability.

### Legal Citation

R.S. 47:297(B)

### Origin

Acts 1980, No. 316

### Effective Date

Taxable periods beginning after December 31, 1979

### Beneficiaries

Individual taxpayers who are entitled to certain federal credits

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$341,000	\$351,000

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# Individual Income Tax

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## 17. Education

A credit of \$25 is allowed for each qualified dependent child who was in school in kindergarten through 12<sup>th</sup> grade at least part of the year. This credit enacted in 1980, was suspended beginning with the tax year 1986 through tax year 1995.

The purpose of this credit is to assist taxpayers with education expenses.

The credit was suspended by Act 38 of the 2000 legislative session for the taxable years beginning after December 31, 1999, and before January 1, 2002. Acts 2002, No. 25 suspended the credit for tax years beginning on or after January 1, 2000, and prior to January 1, 2006.

### Legal Citation

R.S. 47:297(D)

### Origin

Acts 1980, No. 316, amended by Acts 2000, No. 38, and Acts 2002, No. 25

### Effective Date

Taxable periods beginning after December 31, 1979. Suspended for taxable periods January 1, 2000, through December 31, 2006

### Beneficiaries

Individual taxpayers with school age dependent children

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate.

## 18. Inventory tax/Ad valorem tax

A refundable tax credit is allowed for ad valorem taxes paid to political subdivisions on inventory held by manufactures, distributors, and retailers. A credit is also allowed for ad valorem taxes paid on vessels in Outer Continental Shelf Lands Act Waters. Acts 2005, No. 363 amended R.S. 47:6006(A) to provide a credit for inventory tax paid to political subdivisions on natural gas held, used, or consumed in providing natural gas storage services or facilities.

### Legal Citation

R.S. 47:6006 and R.S. 47:6006.1

### Origin

Acts 1991, No. 153, amended by Acts 1994, No. 28. Acts 1994 3<sup>rd</sup> Ex. Sess., No. 59, amended by Acts 2005, No. 363

### Effective date

July 1, 1992

### Beneficiaries

All corporations paying ad valorem taxes on inventory benefit from this credit, which will help to promote economic development.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$3,979,000	\$4,098,000

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# Individual Income Tax

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## **19. Property taxes paid by certain telephone companies**

A credit is allowed for 40 percent of the total ad valorem taxes paid to Louisiana political subdivisions by telephone companies on their public service properties.

### **Statutory Citation**

R.S. 47:6014

### **Origin**

Acts 2000, No. 22

### **Effective Date**

Tax years after December 31, 2000

### **Beneficiaries**

Telephone companies in an amount equal to 40 percent of ad valorem taxes paid to political subdivisions for public service properties

### **Administration**

The purpose of the credit is achieved in a fiscally effective manner.

### **Estimated Effect**

Unable to anticipate

## ***Other Credits***

## **20. Credit for purchases from Prison Industry Enhancement Contractors**

A tax credit is allowed for the state sales and use taxes paid on purchases of specialty apparel items from a Private Sector Prison Industry Enhancement (PIE) contractor.

PIE contractors use inmate labor to produce items for sale and then pay 30 percent of the salary paid to the inmates back to the state.

### **Legal Citation**

R.S. 47:6018

### **Origin**

Acts 2002, No. 32

### **Effective Date**

Tax becoming due after December 31, 2002

### **Beneficiaries**

Private Sector Prison Industry Enhancement contractor

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Effect**

Unable to anticipate

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# Individual Income Tax

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## 21. Low-income housing

A credit is allowed for providers of certain low-income housing. The credit is computed in accordance with the provisions of Section 42 of the 1986 Internal Revenue Code as modified by Act 972 of the 1990 Legislative Session. The purpose of this credit is to ensure the availability of low-income housing.

### Legal Citation

R.S. 47:12

### Origin

Acts 1990, No. 1033

### Effective Date

July 1, 1990

### Beneficiaries

Individuals who invest in low-income housing and tenants of low-income housing

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

## 22. Cash donations to the Dedicated Research Investment Fund

A credit is allowed to persons or corporations who donate \$200,000 or more to the Dedicated Research Investment Fund. The purpose of this credit is to encourage donations to the Dedicated Research Investment Fund.

### Legal Citation

R.S. 51:2204

### Origin

Acts 1987, No. 300

### Effective Date

July 5, 1987

### Beneficiaries

Qualifying research institutions

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate.



# Individual Income Tax

## 23. Employment of the previously unemployed

A credit is allowed for employment of each previously unemployed person in a qualified newly created full-time job. The credit is \$750 for each qualified new job and employee and is allowed during the taxable period that the employee has completed one year of full-time service with the employer. The credit is in lieu of other job tax credits provided for in the law. The purpose of this credit is to encourage creation of new jobs, which will provide job opportunities for the unemployed.

### Legal Citation

R.S. 47:6004

### Origin

Acts 1989, No. 636

### Effective Date

Taxable periods beginning on or after July 1, 1990

### Beneficiaries

Corporations that hire the previously unemployed in a newly created full-time job and the state as a whole benefits because these individuals are now employed and productive.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,000	\$1,100

## 24. Alternative-fuel usage

A credit is allowed for converting vehicles to certain alternative fuel usage or for the purchase of vehicles that use certain alternative fuels. The amount of the credit is 20 percent of the cost of qualified clean-burning motor vehicle fuel property. If the vehicle is purchased with the property installed by the manufacturer, then the tax credit is the lesser of 20 percent of 10 percent of the cost of the motor vehicle or \$1,500. The purpose of this credit is to encourage the use of alternative fuels.

### Legal Citation

R.S. 47:38

### Origin

Acts 1991, No. 1060

### Effective Date

January 1, 1991

### Beneficiaries

The general public benefits from this credit as the result of a cleaner environment.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$18,500	\$19,000

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# Individual Income Tax

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## 25. Small-town doctors

A credit is allowed for qualified doctors affiliated with a small-town hospital, for the lesser of the tax due or \$5,000 per taxable year up to a maximum of five years. The purpose of this credit is to encourage doctors to locate in small towns.

### Legal Citation

R.S. 47:297(H)

### Origin

Acts 1991, No. 1059

### Effective Date

January 1, 1991

### Beneficiaries

Doctors who locate in small towns and the hospitals, residents, and patients

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$733,000	\$755,000

## 26. Louisiana basic-skills training

Corporations are allowed a credit of \$250 per qualified employee who participates in a basic-skills training program at an accredited school. The credit cannot exceed \$30,000 for any single business in a particular year. Basic-skills training means any employer-paid training for qualified employees that enhances the employees' reading, writing, or mathematical skills to at least a 12-grade level. The purpose of this credit is to encourage corporations to provide basic-skills training, which will result in a more educated work force.

### Legal Citation

R.S. 47:6009

### Origin

Acts 1992, No. 1098

### Effective Date

July 1, 1993

### Beneficiaries

Individuals benefit from this credit by enabling them to bring their reading, writing, and mathematical skills to at least a twelfth-grade level. A better educated employee will be an asset to employers and the state.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,000	\$1,200

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# Individual Income Tax

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## 27. Gasoline and special fuels taxes

A credit is allowed for gasoline and special fuels taxes paid for operating or propelling any commercial fishing boat, if a refund of the taxes has not been received pursuant to R.S. 47:802.2 and R.S. 47:1681. The purpose of this credit is to allow taxpayers additional time to obtain a refund of the taxes since under R.S. 47:802.2 and R.S. 47:1681 the refund application period is only six months.

### Legal Citation

R.S. 47:297(C)

### Origin

Act 1993, No. 164

### Effective Date

For taxable years beginning after December 31, 1992

### Beneficiaries

Licensed commercial fishermen

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$14,000	\$15,000

## 28. Educational expenses incurred for degree related to law enforcement

A credit is allowed certain law enforcement officers and employees of the Department of Public Safety and Corrections for certain educational expenses incurred in pursuit of an undergraduate degree related to law enforcement. The amount of credit allowed in a tax year is equal to the lesser of the tax due, the amount of the qualifying educational expenses, or \$750.

### Legal Citation

R.S. 47:297(J)

### Origin

Acts 1994, No. 23

### Effective Date

Taxable periods beginning on or after January 1, 1995

### Beneficiaries

Employees and law enforcement officers pursuing such a degree

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$34,000	\$35,000

# Individual Income Tax

## 29. Employment of certain first-time drug offenders

A credit of \$200 per employee per year for a maximum of two years is allowed for employing certain first-time drug offenders. The offender must have successfully completed a court-ordered drug treatment rehabilitation program, be less than 25 years old at the time of initial employment, and have worked 180 full days. The purpose of this credit is to encourage employment to first-time drug offenders who complete a drug rehabilitation program.

### Legal Citations

R.S. 47:287.34, R.S. 47:287.752, and R.S. 47:297(K)

### Origin

Acts 1994, No. 104

### Effective Date

Taxable periods beginning on or after January 1, 1994

### Beneficiaries

First-time drug offenders who are employed by businesses that receive the credit and the companies and individuals who employ them

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$14,000	\$15,000

## 30. Bone-marrow donor expenses

A credit is allowed for bone-marrow donor expenses incurred by an employer. The amount of the credit is 25 percent of certain expenses paid or incurred during the tax year by an employer to provide a program for employees who are potential or who actually become bone-marrow donors. The purpose of this credit is to encourage bone-marrow donation.

### Legal Citation

R.S. 47:297(I)

### Origin

Acts 1992, No. 206

### Effective Date

August 21, 1992

### Beneficiaries

Individuals who may need a bone-marrow transplant

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$26,000	\$27,000

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# Individual Income Tax

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## 31. Purchase of bulletproof vest

A credit for the purchase of bulletproof vest by qualified law enforcement officers and certain employees of the Department of Public Safety and Corrections is allowed. The credit allowed is for the purchase price of the vest or \$100, whichever is less. Only one credit is allowed for the five-year period beginning with the purchase of the vest.

### Legal Citation

R.S. 47:297(L)

### Origin

Acts 1998, No. 20

### Effective date

Taxable periods beginning after December 31, 1997

### Beneficiaries

Law enforcement officers and certain employees of the Department of Public Safety and Corrections benefit from this credit

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$5,000	\$6,000

## 32. Employment of certain first-time nonviolent offenders

A credit of \$200 per employee per year for a maximum of two years is allowed for employing certain first time nonviolent offenders. The offender must have successfully completed a court-ordered program and have worked 180 full-time days. The purpose of this credit is to encourage employment of first-time nonviolent offenders.

### Legal Citation

R.S. 47:297(O)

### Origin

Acts 2005, No. 285

### Effective Date

Taxable periods beginning on or after January 1, 2005

### Beneficiaries

First time nonviolent offenders who are employed by businesses that receive the credit and the companies and individuals who employ them

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$15,000	\$16,000

# Individual Income Tax

## 33. Donations to assist qualified playgrounds

A credit is allowed for donations to assist qualified playgrounds in certain economically depressed areas. The credit shall be an amount equal to the lesser of \$1,000 or 1/2 of the value of the donation. The purpose of this credit is to encourage donations to qualified playgrounds.

### Legal Citation

R.S. 47:6008

### Origin

Acts 1992, No. 898

### Effective Date

Tax periods beginning after December 31, 1992

### Beneficiaries

The people living in economically depressed areas benefit from this credit by an improved quality of life.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$85,000	\$87,000

## 34. Employment-related expense for maintaining household for certain disabled dependents

A credit is allowed for persons maintaining a household that includes dependents who are physically or mentally disabled. The credit is equal to the applicable percentage of employment related expense allowable pursuant to Section 21 of the Internal Revenue Code. Unused credits are carried forward. The purpose of this credit is to provide some relief to taxpayers who incur such extraordinary expenses.

### Legal Citation

R.S. 47:297.2

### Origin

Acts 1996, No. 27

### Effective Date

Taxable periods beginning after December 31, 1996

### Beneficiaries

Individuals who qualify for credit benefit from this credit.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$17,000	\$18,000

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# Individual Income Tax

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## 35. Family responsibility

A credit is allowed for 33.33 percent of the amount a taxpayer contributed in a program of voluntary family responsibility developed and implemented by the Department of Health and Human Resources. The credit is limited to \$200 per year. The purpose of this credit is to encourage individuals to donate money to the Family Responsibility Program.

### Legal Citations

R.S. 47:297(F) and R.S. 46:449

### Origin

Acts 1983, No. 672

### Effective Date

Taxable periods beginning after December 31, 1982

### Beneficiaries

Persons receiving intermediate or skilled nursing care in the state with insufficient income and resources to meet the costs of the care

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$24,000	\$25,000

## 36. Purchase of qualified new recycling manufacturing or process equipment and/or service contracts

A credit is allowed for the purchase of new recycling manufacturing or process equipment and/or qualified service contracts. The amount of the credit is computed at 20 percent of the cost of the equipment less other tax credits received for the purchase of the equipment, but may not exceed 50 percent of the tax liability before the credit. If the equipment is sold before the total credit is claimed, the credit otherwise allowable may be claimed in the tax year of the sale and any unused credit is canceled for future periods. Total credits certified by the secretary of the Department of Environment Quality in any calendar year shall not exceed five million dollars.

### Legal Citation

R.S. 47:6005

### Origin

Acts 1991, Nos. 359 and 1052, amended by Acts 2005, No. 319

### Effective Date

Taxable periods beginning on or after January 1, 1991

### Sunset Date

December 31, 2000

However, unused credits may be carried forward until credit is exhausted or the equipment is sold.

### Reestablished

June 30, 2005

### Beneficiaries

The general public benefits from this credit as the result of a cleaner environment.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

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# Individual Income Tax

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## **37. Donations of property to certain offices and agencies**

A credit is allowed for 50 percent of the value of historical property donated to the Old State Capitol, the State Capitol Complex, and the State Archives. The amount of the credit in any year is limited to 50 percent of the donor's tax liability. Unused credits may be carried over to subsequent years. The maximum amount of credit that may be granted in the aggregate in any single year is \$70,000. The purpose of this credit is to encourage donations to certain state agencies property with historical value. This serves to preserve such property for future generations.

### **Legal Citation**

R. S. 47:6011

### **Origin**

Acts 1996, No. 10

### **Effective Date**

August 1, 1996

### **Sunset Date**

June 30, 2000

However, unused credits may be carried forward until the full credit has been used.

### **Beneficiaries**

Individuals who make such donations

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

## **38. Donations of material, equipment, or instructors made to certain training providers**

A credit is allowed for donations of materials, equipment, or instructors made to training providers vocational/technical schools, apprenticeship programs registered with the Louisiana Department of Labor, or community colleges within the state. The credit is for one-half the value of the materials, equipment, or services donated. The tax credit when combined with other tax credits cannot exceed 20 percent of the employer's tax liability for any taxable year.

### **Legal Citation**

R.S. 47:6012

### **Origin**

Acts 1998, No. 30, amended by Acts 2002, No.11

### **Effective date**

June 24, 1998

### **Sunset date**

December 31, 2000

### **Reestablished**

August 15, 2002 for taxable periods beginning after December 31, 2002

### **Beneficiaries**

Individuals who take the tax credit and the citizens of the state that benefit from better equipped training facilities

### **Administration**

The purpose of this credit is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate



# Individual Income Tax

## 39. Credit for Rehabilitation of Historic Structures

A tax credit is allowed for the eligible cost and expenses incurred during the rehabilitation of a historic structure located in a downtown development district. The credit shall not exceed 25 percent of the eligible costs and expenses and no taxpayer or affiliate shall receive more than \$5,000,000 of credit for rehabilitation within a particular downtown development district. The credit is earned only in the year in which the property attributable to the expenditures is placed in service.

This credit is effective for the period July 1, 2002, through December 31, 2008.

### Legal Citation

R.S. 47:6019

### Origin

Acts 2002, No. 60, amende Acts 2004, 1<sup>st</sup> Ex. Sess., No. 12, Acts 2005, No. 439

### Effective Date

Effective for the period July 1, 2002, through December 31, 2008

### Sunset Date

December 31, 2008; However, there is a five-year carryforward of unused credits.

### Beneficiaries

Individuals or businesses rehabilitating a qualified historic structure

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$515,000	\$530,000

## 40. Credit for Certain Child Care Expenses

Taxpayers are allowed a credit for a percentage of the federal child and dependent care credit taken on a resident's federal income tax return. If a federal credit was not taken because of the alternative minimum tax, then no state credit is allowed because the Louisiana credit is based on the credits taken on the federal return.

The state child care tax credit is allowed as follows:

<i>Federal Adjusted Gross Income</i>	<i>Percent of Federal Credit</i>
\$25,000 or less	50%
\$25,001 to \$35,000	30%
\$35,001 to \$60,000	10%
Over \$60,000	Lesser of \$25 or 10%

For tax years beginning on or after January 1, 2006 taxpayers whose federal adjusted gross income is \$25,000 or less will be allowed a refundable credit of 25 percent of the unreduced federal credit; the credit is increased to 50 percent for tax years beginning after December 31, 2006.

### Legal Citation

R.S. 47:297.4

### Origin

Acts 2002, No. 25, amended by Acts 2005, No. 495

### Effective Date

Taxable periods beginning on or after January 1, 2003

### Beneficiaries

Individual taxpayers who are claiming a child and dependent care credit on their federal income tax return

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$8,375,000	\$8,626,000

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# Individual Income Tax

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## 41. Credit for Debt Issuance Costs

An economic development corporation is allowed a credit equal to the filing fee paid to the Louisiana Bond Commission for the preparation and issuance of bonds.

The credit shall be taken as a credit against the applicable tax or taxes in the taxable period in which the expenses were incurred, not to exceed the total tax liability for that taxable year.

### Legal Citation

R.S. 47:6017

### Origin

Acts 2002, No. 78

### Effective Date

June 25, 2002

### Beneficiaries

Economic development corporations

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate.

## 42. Long-Term Care Insurance Premiums Credit

An individual who purchases a federally qualifying long-term care insurance policy is allowed a tax credit for 10 percent of the total amount of premiums paid annually. Taxpayers applying for the credit must complete a form prescribed by the department.

For the premiums to qualify for the credit, the long-term care insurance policy must:

- be approved by the commissioner of insurance for sale in Louisiana.
- comply with the requirements of Part VI of Chapter 1 of Title 22 of the Louisiana Revised Statutes of 1950.
- qualify for the federal credit as a long-term care insurance contract as defined in Section 7702(B)(6) of the Internal Revenue Code of 1986.

### Legal Citation

R.S. 47:297(M)

### Origin

Acts 2002, No. 54

### Effective Date

The credit becomes effective if and when the legislature enacts a special fund to finance the credit.

### Beneficiaries

Individuals who purchase a federally qualifying long-term care insurance policy

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The legislature has not created the fund to finance the credit.

# Individual Income Tax

## 43. Living organ donation credit

A credit is allowed for expenses paid by a taxpayer if related to the taxpayer's travel or absence from work related to the taxpayer's or the taxpayer's spouse's living organ donation. The amount of credit allowed shall not exceed \$10,000 per organ donation.

The credit is effective for tax years beginning on or after January 1, 2005. Unused credits can be carried forward up to ten years.

### Legal Citation

R.S. 47:297(N)

### Origin

Acts 2005, No. 277

### Effective Date

July 1, 2005, applicable to tax years beginning on or after January 1, 2005

### Beneficiaries

Taxpayers making a living organ donation/

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$3,000	\$3,100

## 44. Rehabilitation of an owner occupied residential or mixed-use property

This provision provides a credit against individual income tax for a percentage of eligible expenses rehabilitating an owner occupied residential or mixed-use property located in a historic district or eligible for listing on the National Register. The credit is limited to \$25,000 per structure and the percent of expenses allowed for the credit varies by income level. Taxpayers whose adjusted gross income exceeds \$100,000 are only eligible for the credit for the rehabilitation of vacant and blighted property. The tax credit shall be divided in five equal portions to be applied against the tax for the five-year period beginning in the taxable period in which the rehabilitated residential structure is first placed in service. Total credits granted cannot exceed \$1,000,000 in any calendar year.

### Legal Citations

R.S. 47:297.6

### Origin

Acts 2005, No. 479

### Effective Date

January 1, 2006

### Sunset Date

December 31, 2009

### Beneficiaries

Individual rehabilitating qualified property

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$200,000	\$200,000

# Individual Income Tax

## 45. Louisiana Community Development Financial Institutions Act Credit

This provision creates the Louisiana Community Development Financial Institutions Act. A Louisiana Community Development Financial Institution (LCDFI) is any legal entity whose primary business activity is the investment of cash to acquire equity in or provide financing assistance as a licensed business and industrial development corporation to qualified Louisiana businesses in low-income communities and provides for an income and franchise tax credit for individuals and businesses that invest in LCDFIs. It provides that the LCDFI corporations themselves will be exempt from corporation income and franchise taxes for five consecutive taxable periods. The investment credit is to be calculated as 75 percent of the investment. These credits are transferable and can be carried forward indefinitely. The total amount that can reduce tax revenues in fiscal years 2006 through 2007 is \$5 million. Any unused allocation of credits from a previous year may be carried forward and granted in the next year. The program terminates on July 1, 2007, but provisions relevant to any granted tax credits continue to apply until July 1, 2010.

### Legal Citation

R.S. 51:3075 through 3088

### Origin

Acts 2005, No. 491

### Effective Date

July 12, 2005

### Sunset Date

July 1, 2007, but provisions relevant to any granted tax credits continue to apply until July 1, 2010.

### Beneficiaries

Taxpayers that invest in LCDFIs, and the LCDFI will benefit from the tax credits allowed under this provision and low-income communities will benefit from the creation of jobs and economic activity.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Impact

The estimated fiscal effect of this credit is shown in the listing of exemptions for corporation income tax and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

## 46. Credit for the LA Citizens Property Insurance Corporation Assessments

A refundable credit will be allowed in the amount of surcharges, market equalization charges, or assessments paid as a result of the assessments levied by the Louisiana Citizens Property Insurance Corporation due to Hurricanes Katrina and Rita. This credit is available to taxpayers who paid the assessments as a part of their homeowner's insurance premium.

### Legal Citation:

R.S. 47:6025

### Origin:

Acts 2006, 2nd Ex. Sess., No. 4

### Effective Date:

Taxable periods beginning on or after January 1, 2006

### Beneficiaries:

Taxpayers who have paid the assessments levied by the LA Citizens Property Insurance Corporation

### Administration:

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Impact

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$239,000,000	\$56,000,000

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# Individual Income Tax

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## *Exemption also required by the state constitution*

### **47. Federal income tax deduction**

A deduction is allowed for federal income tax on income that Louisiana income tax is paid. The purpose of this deduction is to shelter from taxation the portion of a taxpayer's income that represents federal income taxes paid.

### **Legal Citations**

La. Const., art. VII, Part I, § 4(A), R.S. 47:293(5), and R.S. 47:293(6)

### **Origin**

Constitution

### **Effective Date**

1974

### **Beneficiaries**

All individual taxpayers who file a tax return and have paid federal income tax.

### **Administration**

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$462,348,000	\$476,218,000

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# **Inheritance Tax Exemptions**





# Inheritance Tax

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# Inheritance Tax

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## ***Introduction***

Louisiana became the second state to adopt a death duty in 1828 when Act 95 was enacted imposing an inheritance tax. Acts 1921, No. 127, authorized by the 1921 Louisiana Constitution (now Article 7, Section 1, of the 1974 Constitution) provides for graduated, classified or progressive taxes on inheritances, legacies, and gifts made in contemplation of death subject to certain limits and exemptions. Exemptions are provided for under R.S. 47:2402 and exclusions are found under R.S. 47:2404(C).

The Department of Revenue assumed responsibility for the administration and collection of the tax on January 1, 1974. Prior to that time, inheritance taxes were administered and collected locally. In each parish, except Orleans, the Sheriff was designated as the ex-officio inheritance tax collector for the State and an attorney was appointed to assist him. In Orleans Parish, the Clerk of Court was the inheritance tax collector.

Acts 1982, No. 874 provided for an annual increase in the value of the inheritance, legacy, donation, or gift made in contemplation of death that would be exempt from taxation when made to direct descendants by blood or affinity, ascendants, or surviving spouse. By 1987, the value to be excluded from taxation for direct descendants by blood or affinity, ascendants or surviving spouse was \$25,000. Act 874 also provided that occurring during calendar year 1992 and thereafter, the total amount or value of the inheritance, legacy, donation or gift in contemplation of death to a surviving spouse was exempt from taxation.

Acts 1997, No. 818 provided for the phase out of the inheritance tax over seven years.

## **Legal Citations**

R.S. 47:2401 through 47:2425

## **Tax Base**

The tax base for Louisiana inheritance tax consists of all property of every nature and kind included or embraced in every inheritance, legacy, or donation or gift made in contemplation of death. With regard to residents, the tax base includes all immovable property located within Louisiana and all movable property, tangible or intangible, wherever situated. With regard to nonresidents, the tax base includes immovable property located within Louisiana and only tangible movable property domiciled in Louisiana.

## **Tax Rates**

The tax rates are graduated and progressive based upon the relationship of heirs and legatees to the decedent. The classifications of heirs and legatees and the respective tax rates are as follows:

## **Classification of Heirs/Legatees**

- Direct descendants by blood or affinity, ascendants, or surviving spouse—2 percent of the actual value of the first \$20,000 taxable, plus 3 percent of the actual value in excess of \$20,000
- Collaterals (including brothers or sisters by affinity and their descendants)—5 percent of the actual value on the first \$20,000 taxable, plus 7 percent of the actual value in excess of \$20,000
- Strangers or nonrelated persons—5 percent of the actual value of the first \$5,000 taxable, plus 10 percent of the actual value in excess of \$5,000

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# Inheritance Tax

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Effective July 1, 1998, Acts 1997, No. 818, provided for the tax rates to be reduced as follows:

1. for deaths occurring after June 30, 1998, and before July 1, 2001, the tax rates are reduced by 18 percent;
2. for deaths occurring after June 30, 2001, and before July 1, 2002, the tax rates are reduced by 40 percent;
3. for deaths occurring after June 30, 2002, and before July 1, 2003, the tax rates are reduced by 60 percent;
4. for deaths occurring after June 30, 2003, the tax rates are reduced by 80 percent; and,
5. for deaths occurring after June 30, 2004, no tax shall be levied when a judgment of possession is rendered or when a succession is judicially opened no later than the last day of the ninth month following the death of a decedent.

## **Types of Tax Exemptions**

The Louisiana inheritance tax law provides for tax exemptions under R.S. 47:2402 and exclusions under R.S. 47:2404(C). Exemptions are those amounts or values of an inheritance, legacy, donation, or gift made in contemplation of death that would be included in the tax base, but have been specifically exempted from the tax. Exclusions are items of property that have been excluded from the tax base.

## **Significant Changes Fiscal Year 2005-2006**

There were no significant changes to the inheritance tax laws during fiscal year 2005-2006.

# Inheritance Tax

## ***Exemptions***

### **1. Direct descendants by blood or affinity, ascendants, or surviving spouses (prior to 1992) of decedent**

This exemption allows descendants by blood or affinity, ascendants, or surviving spouses (for death's prior to 1992) of a decedent to inherit an initial amount tax exempt. Based upon the time of death, the exemption is as follows:

#### **Deaths in Calendar Year**

1983 and prior years	\$5,000 each
1984	\$10,000 each
1985	\$15,000 each
1986	\$20,000 each
1987 and thereafter	\$25,000 each

The purpose of this exemption is to exempt the initial amount inherited.

#### **Legal Citation**

R.S. 47:2402(1)

#### **Origin**

Acts 1982, No. 874

#### **Effective Date**

January 1, 1984

#### **Beneficiaries**

Direct descendants by blood or affinity, ascendants, and surviving spouses of decedents

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$964,000	\$915,000

### **2. Surviving spouse**

This exemption allows the surviving spouse of a decedent who dies in 1992 or thereafter to inherit an unlimited amount tax free. Although the exemption was passed in 1987, it did not become effective until 1992. The purpose of this exemption is to provide a total exemption for the property inherited by the surviving spouse of the deceased.

#### **Legal Citation**

R.S. 47:2402(1)(e)

#### **Origin**

Acts 1987, No. 236

#### **Effective Date**

January 1, 1992

#### **Beneficiaries**

Surviving spouses of decedents

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$255,000	\$242,000

# Inheritance Tax

## 3. Collateral relations; \$1,000 exemption

This exemption allows collateral relations (i.e. brothers or sisters) of a descendant (including brothers-in-law or sisters-in-law and their descendants) to inherit up to \$1,000 tax free. The purpose of this exemption is to exempt the first \$1,000 inherited by collateral relations.

### Legal Citation

R.S. 47:2402(2)

### Origin

Acts 1921 Ex. Sess., No. 127

### Effective Date

November 19, 1921

### Beneficiaries

Collateral relations of decedents

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$149,000	\$141,000

## 4. Strangers or nonrelated persons; \$500 exemption

This exemption allows persons and certain entities not related to a decedent to inherit up to \$500 tax free. The purpose of this exemption is to exempt the first \$500 inherited by strangers or nonrelated persons.

### Legal Citation

R.S. 47:2402(3)

### Origin

Acts 1921 Ex. Sess., No. 127

### Effective Date

November 19, 1921

### Beneficiaries

Any nonrelated legatees of a decedent

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$23,000	\$21,000

# Inheritance Tax

## 5. Bequests to charitable, religious, or educational institutions in Louisiana

This exemption allows legacies and donations to charitable, religious, and educational institutions located in Louisiana to be exempt from inheritance tax. The purpose of this exemption is to exempt all bequests to charitable, religious, or educational institutions located in Louisiana.

### Legal Citation

R.S. 47:2402(4)

### Origin

Acts 1921 Ex. Sess., No. 127

### Effective Date

November 19, 1921

### Beneficiaries

Any charitable, religious, or educational institutions that are legatees of a decedent

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$248,000	\$235,000

## 6. Bequests to the state, incorporated municipalities, or political subdivisions for exclusive public use

This exemption allows legacies and donations to the state of Louisiana, incorporated municipalities, or political subdivisions to be exempt from tax. The purpose of this exemption is to exempt all bequests, for exclusive public use, to the state of Louisiana, incorporated municipalities, or any political subdivision thereof.

### Legal Citation

R.S. 47:2402(5)

### Origin

Acts 1972, No. 543

### Effective Date

July 12, 1972

### Beneficiaries

The state of Louisiana, any incorporated municipality, or other political subdivision named as a legatee of a decedent

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$66,000	\$62,000

# Inheritance Tax

## 7. Bequests to out-of-state charitable, religious, or educational institutions

This exemption allows charitable, religious, or educational institutions located in other states or territories of the United States to receive unlimited legacies and donations tax free provided reciprocity exists between the state of Louisiana and the other state or territory. The purpose of this exemption is to exempt all bequests to qualifying institutions located outside of Louisiana if the state or territory where the institution is located has a reciprocal provision applicable to Louisiana bequests.

### Legal Citation

R.S. 47:2402(6)

### Origin

Acts 1974, No. 190

### Effective Date

July 12, 1974

### Beneficiaries

Any charitable, religious, or educational institution located in other states or territories of the United States named as legatees of a decedent

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$16,000	\$15,000

## *Exclusions*

## 8. Proceeds of life insurance paid to named beneficiaries

This exclusion allows the proceeds of life insurance payable to a named beneficiary, other than the estate of a decedent, to be excluded from the tax base. The purpose of the exclusion is to exempt the total proceeds of life insurance policies made payable to a named beneficiary.

### Legal Citation

R.S. 47:2404(C)

### Origin

Acts 1968, No. 352

### Effective Date

July 18, 1968

### Beneficiaries

Persons, other than the estate, receiving the proceeds of life insurance

### Administration

The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$437,000	\$415,000

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# Inheritance Tax

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## 9. Qualified retirement or pension plans

This exclusion allows the proceeds of a retirement or pension plan payable to a named beneficiary, other than the estate of the decedent, to be excluded from the tax base, provided the plan is qualified under Sections 401 or 408 of the Internal Revenue Code. The purpose of the exclusion is to exempt bona fide pension plans.

### Legal Citation

R.S. 47:2404(C)

### Origin

Acts 1968 No. 352, amended by Acts 1992, No. 171

### Effective Date

July 18, 1968

### Beneficiaries

Persons, other than the estate, receiving the proceeds of a qualified retirement or pension plan

### Administration

The purpose of the exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

No data; no reporting requirement.



# **Liquors-Alcoholic Beverage Tax Exemptions**

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# Liquors-Alcoholic Beverage Tax

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# Liquors-Alcoholic Beverage Tax

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## *Introduction*

The alcoholic beverage tax law encompasses taxation on two categories of alcoholic beverages: (a) beverages of low-alcoholic content that are defined as alcoholic beverages containing not more than six percent alcohol by volume, and (b) beverages of high-alcoholic content that are defined as alcoholic beverages containing more than six percent alcohol by volume. Act 2 of the Extraordinary Session of 1933 first imposed an alcoholic beverage tax of \$1 per 31-gallon barrel on beer, porter, ale, fruit juices and wine. Act 15 of the 1934 Regular Session imposed a tax on liquor at 50¢ per wine gallon; sparkling wines at 50¢ per wine gallon; still wines not more than 14 percent by volume at 5¢ per wine gallon; still wines between 14 percent and 24 percent by volume at 10¢ per wine gallon; still wines over 24% by volume at 50¢ per wine gallon; and beer at \$1.50 per 31-gallon barrel. Tax stamps were used to indicate that the appropriate taxes had been paid. A discount of five percent of the face value of the stamps purchased in lots of \$100 or more was allowed to dealers.

The tax rates of beverages of alcoholic content have changed numerous times since 1934 as shown:

### **Beer:**

1934	\$1.50 per 31-gallon barrel
1948	\$10.00 per 31-gallon barrel

### **Liquor:**

1934	\$.50 per wine gallon
1935	\$.60 per wine gallon
1938	\$1.00 per wine gallon
1940	\$1.50 per wine gallon
1956	\$1.68 per wine gallon
1970	\$2.50 per wine gallon
1978	\$.66 per liter

### **Sparkling Wines and Still Wines over 24% by volume:**

1934	\$.50 per wine gallon
1935	\$.60 per wine gallon
1938	\$1.00 per wine gallon
1940	\$1.50 per wine gallon
1956	\$1.58 per wine gallon
1978	\$.42 per liter

### **Still Wines not over 14% by volume**

1934	\$.05 per wine gallon
1940	\$.15 per wine gallon
1942	\$.10 per wine gallon
1956	\$.11 per wine gallon
1978	\$.03 per liter

### **Still Wines between 14% and 24% by volume**

1934	\$.10 per wine gallon
1940	\$.30 per wine gallon
1942	\$.20 per wine gallon
1956	\$.21 per wine gallon
1978	\$.06 per liter

The provisions related to the use of tax stamps for alcoholic beverages and the purchase discount were repealed in 1964 and were replaced by a six percent discount for timely filing and remitting the taxes on beverages of high alcohol content. This discount was reduced to three and one-third percent in 1972 and a two percent discount was enacted for beverages of low alcohol content. Acts 1978, No. 441 changed the measurement of liquor and wines from gallons to liters for tax purposes. The rates effectively remained unchanged as the per-gallon rates convert to the per-liter rates.

Act 736 of the 1990 Regular Legislative Session enacted the Louisiana Native Wine Law. Rates for the native wines were set the same as rates for other wines.

The alcoholic beverages taxes are collected from the first handlers in Louisiana, usually bonded wholesale dealers. The bond required of manufacturers or wholesalers of alcoholic beverages is a minimum of \$10,000 for each type of permit held. The bond for manufacturers or wholesalers of native wines is \$5,000.

During the 1998 Regular Legislative Session, Act 71 established provisions by which sparkling and still wines could be sold and shipped directly to consumers in Louisiana by a manufacturer or retailer of such beverage domiciled outside of Louisiana. Included in the statutory requirements were the stipulations that in order for the wine to be shipped into Louisiana, the applicable taxes must be paid in full, the consumer to whom the wine is being shipped must be 21 years of age or older, and that the wine was purchased for the consumer's personal consumption.

Act 808 of the 2006 Regular Legislative Session repealed the Native Wine Law, defined and established permit procedures for wine producers. Furthermore,

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# Liquors-Alcoholic Beverage Tax

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the law made provision that wine producers can, under certain conditions, ship product directly to consumers.

## Legal Citations

R.S. 26:341 through 26:423

## Tax Base

Quantity of beverage handled

## Tax Rate

1. Liquors: 66¢ per liter
2. Sparkling wines: 42¢ per liter
3. Still wines:
  - a. Alcohol content not over 14% – 3¢ per liter
  - b. Alcohol content 14% to 24% – 6¢ per liter
  - c. Alcohol content over 24% – 42¢ per liter
4. Beer, malt beverages: \$10 per barrel

## Types of Tax Exemptions

For alcoholic beverage tax purposes, tax exemptions are exemptions, refund/credits, and discounts. Exemptions are items that were included in the tax base, but have been specifically exempted. Refund/credits are items that taxes were paid on initially, but the taxpayer has a right to request a refund or a credit. Discounts are a proportionate deduction from the gross amount reported. The tax exemptions for beer have been separated from those for liquor and wine.

There are several statutory tax exemptions that are also prohibited from taxation by federal laws. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

## Significant Changes Fiscal Year 2005-2006

Acts 2006, No. 803 included amendments to R.S. 26:241(8) and (18) to separate malt beverages into those containing not more than six percent alcohol by volume and those containing more than six percent by volume, provided definitions of wholesale dealers of each type of malt beverage, and provided for the permitting of these wholesaler dealers of malt beverages effective for August 15, 2006.

Acts 2006, No. 808 amended R.S. 26:2(10) and (17), 85, 142, and 359(C), (D), (E), and (G); enacted R.S. 26:2(21) and (22) and 71(A)(6) and (7), to provide for permits; authorized a wine producer to sell or serve its product at retail directly to consumers at its winery, at specified other locations, and to directly ship to consumers in Louisiana; authorized the selling and direct shipment of sparkling or still wine directly to a consumer in Louisiana by a wine producer domiciled inside or outside of the state; provided for exceptions requiring shipment to a wholesaler; and repealed R.S. 26:321 through 327 and R.S. 26:341(A)(5) and (B); that repealed all provisions of Louisiana's Native Wine Law; and provisions providing for an additional tax on manufacturers or retailers of sparkling wine or still wine domiciled outside the state who directly ship to a consumer within the state effective for June 30, 2006.

# Liquors-Alcoholic Beverage Tax

## ***Beer tax discount***

### **1. Discount of two percent**

A discount of two percent of the tax due is allowed for accurately reporting and timely remitting the taxes due. The purpose of this discount is to compensate the dealer for expenses incurred in accounting for the tax.

#### **Legal Citation**

R.S. 26:345

#### **Origin**

Acts 1972, No. 537, amended by Acts 2002, No. 14

#### **Effective Date**

July 26, 1972

#### **Beneficiaries**

Registered wholesalers who accurately and timely remit the tax reports

#### **Administration**

The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$750,000	\$750,000

## ***Beer, liquor and wine tax refund/credit***

### **2. Products returned to manufacturer or destroyed by a dealer**

A tax refund or credit is allowed for alcoholic beverages that are returned to a manufacturer or destroyed by the dealer either damaged or unfit for sale. The purpose of this provision is to give dealers credit for taxes paid on products returned as unsaleable.

#### **Legal Citation**

R.S. 26:347

#### **Origin**

Acts 1934, No. 15, amended by Acts 2002, No. 14

#### **Effective Date**

August 1, 1934

#### **Beneficiaries**

Licensed dealers of alcoholic beverages of low and high alcohol content

#### **Administration**

The purpose of the refund/credit is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$600,000	\$600,000

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# Liquors-Alcoholic Beverage Tax

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## *Liquor and wine tax exemptions*

### **3. Antiseptic, scientific, religious, and chemical uses**

Liquor and wine that is not for consumption as an alcoholic beverage is exempt from the tax. The purpose of this exemption is to allow the tax-free sales of alcoholic products used in antiseptic preparations, chemical products, scientific products, and for religious purposes.

#### **Legal Citation**

R.S. 26:421

#### **Origin**

Acts 1934, No. 15

#### **Effective Date**

August 1, 1934

#### **Beneficiaries**

Religious organizations, pharmaceutical or chemical companies, and consumers of end products

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

Unable to anticipate; no reporting requirement.

### **4. Free samples of native wine**

This provision allows native wines dispensed as complimentary samples to be free of taxation. The free samples must be dispensed in quantities of not more than six ounces in the tasting room of a native winery to qualify for the exemption. The purpose of this exemption is to allow complimentary samples to be dispensed free of tax.

#### **Legal Citation**

R.S. 26:341(A)(5)

#### **Origin**

Acts 1990, No. 736

#### **Effective Date**

September 7, 1990

#### **Beneficiaries**

Native wineries with the proper permits benefit from this exemption. Currently only one winery is in production.

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

Note: This provision was repeated effective June 30, 2006.

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# Liquors-Alcoholic Beverage Tax

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## *Liquor and wine tax discount*

### **5. Discount of 3.33 percent**

A dealer is allowed a discount of 3.33 percent of the tax due for accurately reporting and timely filing their excise taxes return together with the full tax amounts due to the Department. The purpose of this discount is to encourage compliance.

#### **Legal Citation**

R.S. 26:354(D)

#### **Origin**

Acts 1972, No. 537

#### **Effective Date**

July 26, 1972

#### **Beneficiaries**

Licensed wholesalers who accurately and timely remit the tax reports

#### **Administration**

The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$575,000	\$575,000

## *Federally imposed exemptions*

### *Beer tax exemptions*

### **6. Interstate shipments**

Beer that is exported beyond the borders of Louisiana is not subject to excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

#### **Legal Citation**

R.S. 26:366(B)

#### **Origin**

Acts 1933 Ex. Sess., No. 2

#### **Effective Date**

April 13, 1933

#### **Beneficiaries**

Dealers who export products in interstate commerce

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$200,000	\$200,000



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# Liquors-Alcoholic Beverage Tax

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## 7. Sales to federal government and its agencies

Sales of alcoholic beverages to the U.S. Government or any of its agencies may be exempt from the excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

### Legal Citation

R.S. 26:422

### Origin

Acts 1933 Ex. Sess., No. 2

### Effective Date

April 13, 1933

### Beneficiaries

The U.S. Government and its agencies

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$200,000	\$200,000

## 8. Sales to ships engaged in interstate or foreign commerce

Sales of alcoholic beverages to ships whose destination is beyond the borders of the state are exempt from excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

### Legal Citation

R.S. 26:366(B)

### Origin

Acts 1933 Ex. Sess., No. 2

### Effective Date

April 13, 1933

### Beneficiaries

Dealers who sell for export in interstate commerce

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated fiscal effect negligible; less than \$10,000

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# Liquors-Alcoholic Beverage Tax

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## *Liquor and wine tax exemptions*

### **9. Interstate shipments of alcoholic beverages**

Alcoholic beverages exported beyond the border of Louisiana are not subject to any alcoholic beverage excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

#### **Legal Citation**

R.S. 26:366(A)

#### **Origin**

Acts 1934, No. 15

#### **Effective Date**

August 1, 1934

#### **Beneficiaries**

Licensed dealers who export products in interstate commerce

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$5,400,000	\$5,400,000

### **10. Foreign consul and foreign commerce**

All sales of alcoholic beverages to a foreign consulate or country are exempt from alcoholic beverage excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

#### **Legal Citation**

R.S. 26:366

#### **Origin**

Acts 1934, No. 15

#### **Effective Date**

August 1, 1934

#### **Beneficiaries**

Foreign nations and their consulates

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

Negligible; less than \$10,000.

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# Liquors-Alcoholic Beverage Tax

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## **11. Sales to the federal government and its agencies**

Sales of alcoholic beverages to the U.S. Government or any of its agencies are not subject to the excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

### **Legal Citation**

R.S. 26:422

### **Origin**

Acts 1934, No. 15

### **Effective Date**

August 1, 1934

### **Beneficiaries**

The U.S. Government and its agencies

### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$125,000	\$125,000

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# **Natural Resources Severance Tax Exemptions**



# Natural Resources - Severance Tax

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# Natural Resources - Severance Tax

## Introduction

A severance tax is levied upon all natural resources severed from the soil or water, including all forms of timber, including pulp woods, and turpentine and other forest products; minerals such as oil, gas, natural gasoline, distillate, condensate, casinghead gasoline, sulphur, salt, coal, lignite, and ores; also marble, stone, gravel, sand, shells, and other natural deposits; and the salt content in brine.

Oil and gas collections account for almost 96 percent of all severance tax collections. Because of the significant revenues generated and the fact that only one minor exemption affects the other natural resources, the focus of this section is centered on the oil and gas taxes.

The first tax, based on the severance of oil and gas, was imposed in 1910. This tax was levied as an occupational license tax at a rate of 1/5¢ per 10,000 cubic feet or 10 mcf for gas, and 2/5¢ per barrel of oil.

Act 140 of 1922 carried into effect a 1921 constitutional authority for a severance tax. There have been many changes in the tax rates since 1910, including fluctuations from a volumetric to a percentage-of-value based tax. The changes are listed below in chronological order.

1910	Oil 2/5¢ per barrel; gas 1/5¢ per 10 MCF
1912	Oil and gas; 0.5% of gross value less royalty interest
1920	Oil and gas; 2% of gross value
1922	Oil and gas; 3% of gross market value
1928	Oil 4-11¢ per barrel depending on gravity; gas 1/5¢ per MCF
1936	Gas 3/10¢ per MCF
1940	Oil 6-11¢ per barrel depending on gravity; condensate 11¢ per barrel
1948	Oil 18-26¢ per barrel depending on gravity; condensate 20¢ per barrel
1958	Gas 2.3¢ per MCF
1972	Gas 3.3¢ per MCF
1974	Oil and condensate 12.5% of value; gas 7¢ per MCF
7/90	Gas 10¢ per MCF, indexed annually
7/91	Gas 9¢ per MCF
7/92	Gas 7¢ per MCF
7/93	Gas 7.5¢ per MCF

7/94	Gas 8.7¢ per MCF
7/95	Gas 7¢ per MCF
7/96	Gas 7.7¢ per MCF
7/97	Gas 10.1¢ per MCF
7/98	Gas 9.3¢ per MCF
7/99	Gas 7.8¢ per MCF
7/00	Gas 9.7¢ per MCF
7/01	Gas 19.9¢ per MCF
7/02	Gas 12.2¢ per MCF
7/03	Gas 17.1¢ per MCF
7/04	Gas 20.8¢ per MCF
7/05	Gas 25.2¢ per MCF
7/06	Gas 37.3¢ per MCF

## Tax Base

The tax is imposed upon severance of the oil and gas from the soil or water and is paid by the natural resource owners. The state of Louisiana has over 30,000 producing oil and gas wells.

## Tax Rate

The capable tax rate for oil and condensate is 12.5 percent of value and accounts for over 98 percent of the oil and condensate tax collections. There is also an incapable rate and a stripper rate for low-producing oil wells. The capable rate for gas, presently 37.3¢ per MCF, is responsible for over 99 percent of total gas tax collections. There are also reduced tax rates for low-pressure oil-well gas and incapable gas-well gas. The current severance tax rates are:

Type	Rate
<b>Oil severance tax</b>	
Capable rate.....	12.5% of value R.S. 47:633(7)(a)
Incapable rate.....	6.25% of value R.S. 47:633(7)(b)
Stripper rate.....	3.125% of value R.S. 47:633(7)(c)(i)



# Natural Resources - Severance Tax

Type	Rate
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<b>Condensate severance tax</b> .....	12.5% of value R.S. 47:633(8)
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## Gas severance tax

Capable rate.....	37.3¢ per MCF R.S. 47:633(9)(a) R.S. 47:633(9)(d)(i)
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Low pressure oil-well gas rate.....	3¢ per MCF R.S. 47:633(9)(b)
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Incapable gas-well gas rate .....	1.3¢ per MCF R.S. 47:633(9)(c)
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## Types of Tax Exemptions

Severance tax exemptions for oil, gas, and minerals are in the form of exclusions, exemptions, special rates, deductions, and suspensions. Exclusions are by statute and refer to specific categories of natural gas upon which the tax shall not accrue. Exemptions and suspensions are also statutorily mandated and exempt or suspend the tax on oil or gas severed from wells that meet certain criteria. Special rates reduce the tax on natural resources severed from wells that qualify under specified criteria. Deductions are defined as a credit against or a reduction to the taxable base.

## Significant Changes Fiscal Year 2005-2006

The gas severance tax rate increased from 25.2¢ to 37.3¢ per MCF on July 1, 2006, as a result of Acts 1990, No. 387, which set in place an indexing mechanism to annually adjust the gas severance tax rate.

Acts 2006, 1st Ex. Session, No. 26 amends R.S. 47:635(A)(3) and 640(B), relative to the severance tax on oil and gas; to provide that the one-time severance tax payment required by R.S. 47:635(A)(3) or 640(B) due on or before November 25, 2005, may be credited to the taxpayer's future liabilities.

The act allows purchasers and severers that made the required one-time payment to take credit for the payment by applying 25 percent of the one-time payment amount to severance tax liabilities for each of the following periods:

1. The October 2006 return that is due December 25, 2006;
2. The April 2007 return that is due June 25, 2007;
3. The October 2007 return that is due December 25, 2007; and
4. The April 2008 return that is due June 25, 2008.

Acts 2006, No. 38 amends R.S. 47:633(7)(b) and (c)(i)(aa) to change due date for reduced severance tax rate certifications on incapable and stripper wells from the 15th day to the 25th day of the second month following the month of production. Effective July 1, 2006.

Acts 2006, No. 864 amends Article VII, Section 4(D) of the Constitution of Louisiana to increase the severance tax allocation to parishes. Effective July 1, 2007.

# Natural Resources - Severance Tax

## *Natural gas exclusions*

### 1. Injection

An exclusion is allowed for the injection of gas into producing reservoirs. The gas injected maintains reservoir pressure and enhances the recovery of hydrocarbons. This gas will eventually be reproduced and sold, and at that time the tax will be paid. This is really more of a deferred payment than an exclusion. The purpose of this exclusion is to promote secondary recovery and repressurization programs.

#### Legal Citation

R.S. 47:633(9)(e)(i)

#### Origin

Acts 1940, No. 145

#### Effective Date

1940

#### Beneficiaries

Anyone in industry undertaking a repressurization or secondary recovery project

#### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$215,000	\$247,000

### 2. Produced outside the state of Louisiana

An exclusion is allowed for gas produced outside the state and transported into Louisiana to be injected. The purpose of this exclusion is to clarify that natural gas severed outside the state is not taxable.

#### Legal Citation

R.S. 47:633(9)(e)(ii)

#### Origin

Acts 1960, No. 2

#### Effective Date

1960

#### Beneficiaries

The volume of gas imported is too small to benefit anyone. The only activity is around the three-mile offshore boundary separating state and federal leases.

#### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$79,000	\$91,000

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# Natural Resources - Severance Tax

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## 3. Flared or vented

An exclusion is allowed for gas flared or vented to the atmosphere. Gas is normally vented or flared when testing, waiting on sales line, or when produced in noncommercial quantities. The purpose of this exclusion is to provide financial relief to producers of natural and casinghead gas.

### Legal Citations

R.S. 47:633(9)(e)(iii) and R.S. 47:633(9)(e)(vi)

### Origin

Acts 1935, No. 24

### Effective Date

1935

### Beneficiaries

All of industry

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$559,000	\$643,000

## 4. Consumed in field operations

An exclusion is allowed for gas used or consumed for fuel in maintaining the operation of a field. This includes gas used for heating, separating, producing, dehydrating, compressing, and pumping oil and gas in the field where produced provided that the gas is not otherwise sold. The purpose of this exclusion is to provide financial assistance to qualifying producers.

### Legal Citation

R.S. 47:633(9)(e)(iv)

### Origin

Acts 1958, No. 2

### Effective Date

1958

### Beneficiaries

All of industry

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$5,489,000	\$6,312,000

# Natural Resources - Severance Tax

## 5. Consumed in the production of natural resources in the state of Louisiana

An exclusion is allowed for gas consumed in the production of natural resources, other than oil and gas, in the state of Louisiana. The purpose of this exclusion is to provide financial assistance to qualifying producers.

### Legal Citation

R.S. 47:633(9)(e)(v)

### Origin

Acts 1974, No. 5

### Effective Date

January 1, 1974

### Beneficiaries

This exemption benefits those producers who use natural gas in the production of natural resources, other than oil or gas.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$29,000	\$33,000

## 6. Used in the manufacture of carbon black

An exclusion is allowed for gas consumed in the manufacture of carbon black in plants. The producer and seller of the gas are allowed an exclusion from the severance tax that in turn lowers the sales price. The purpose of this exclusion is to provide financial assistance to carbon-black manufacturers.

### Legal Citation

R.S. 47:633(9)(e)(vii)

### Origin

Acts 1958 Ex. Sess., No. 2

### Effective Date

1958

### Beneficiaries

Carbon-black companies operating in Louisiana

### Administration

The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$111,000	\$128,000

# Natural Resources - Severance Tax

## *Natural gas suspensions*

### 7. Horizontal wells

Any well drilled or recompleted horizontally from which production commences after July 31, 1994, shall have all severance tax suspended for 24 months or until payout of the well is achieved, whichever comes first. Payout of well cost shall be the cost of completing the well to the start of production. The purpose of this tax suspension is to encourage the drilling of horizontal wells.

#### Legal Citation

R.S. 47:633(7)(c)(iii)

#### Origin

Acts 1994, No. 2

#### Effective Date

August 1, 1994

#### Beneficiaries

Any producer who successfully completes or recompletes a well horizontally

#### Administration

The Department of Natural Resources determines the well cost payout and the Department of Revenue administers the tax suspension.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$149,000	\$171,000

### 8. Inactive wells

Gas wells returned to service after being inactive for two or more years or having 30 days or less production for the past two years were allowed a severance tax exemption for five years. The June 30, 1996, deadline for applying for inactive status was extended to June 30, 1998, by Acts 1996, No. 16, and to June 30, 2000, by Acts 1998, No. 7. Acts 2002, No. 74 amended R.S. 47:633(7)(c)(iv) to reactivate the exemption effective for production beginning July 1, 2002, and ending June 30, 2006, and change the exemption period from five to two years. Acts 2005, No. 492 extended the time for taxpayers to apply for certification June 30, 2006, to June 30, 2010, and extended the suspension period from two to five years for any well granted inactive certification on or after January 1, 2005.

#### Legal Citation

R.S. 47:633(7)(c)(iv)

#### Origin

Acts 1994, No. 2

#### Effective Date

August 1, 1994

#### Beneficiaries

Gas producers with older mature fields containing inactive wells

#### Administration

The Department of Natural Resources certifies the well and the Department of Revenue administers the tax suspension.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,456,000	\$2,824,000

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# Natural Resources - Severance Tax

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## 9. Deep wells

The severance tax on gas wells drilled to a true vertical depth of more than 15,000 feet is suspended for a period of 24 months or until payout of the well cost, whichever occurs first. Production must start after July 31, 1994. The purpose of this tax suspension is to encourage gas operators to invest in the drilling of deep wells.

### Legal Citation

R.S. 47:633(9)(d)(v)

### Origin

Acts 1994, No. 2

### Effective Date

August 1, 1994

### Beneficiaries

Gas producers that successfully drill to a depth greater than 15,000 feet

### Administration

The purpose of the suspension is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$451,000	\$519,000

## 10. New discovery wells

The severance tax on production from certified new natural gas discovery wells is suspended for a period of 24 months from the date of completion or until payout of the cost is recovered, whichever occurs first. The wells must be spudded after September 30, 1994, and completed before September 30, 1998. Act 7 of the 1998 Regular Legislative Session extended the completion deadline until September 30, 2000. The purpose of this tax suspension was to encourage exploration for new gas wells.

### Legal Citation

R.S. 47:648.1 et seq.

### Origin

Acts 1994, No. 2

### Effective Date

October 1, 1994

### Beneficiaries

Natural gas producers with new discovery wells

### Administration

The Department of Natural Resources certifies these wells and the Department of Revenue administers the program.

### Estimated Fiscal Effect

Since the new discovery well completion deadline was September 30, 2000, and the suspension was for 24 months from the date of completion, no additional revenue losses are expected.

# Natural Resources - Severance Tax

## *Natural gas special rates*

### **11. Incapable oil-well gas**

Gas produced from an oil well that has been determined by the Secretary to have 50 pounds or less of wellhead pressure per square inch or producing by artificial methods, gas lift, or pumping, is eligible for a special reduced tax rate of 3¢ per MCF. The purpose of this special rate is to encourage continued production from low-pressure oil wells.

#### **Legal Citation**

R.S. 47:633(9)(b)

#### **Origin**

Acts 1958 Ex. Sess., No. 2

#### **Effective Date**

1958

#### **Beneficiaries**

The intent of the reduced rate is to encourage small independent operators to continue production on low-producing wells. Major oil companies also benefit from this special reduced rate.

#### **Administration**

The purpose of this special rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,456,000	\$1,674,000

### **12. Incapable gas-well gas**

Gas produced from gas wells that are determined by the Secretary to be incapable of producing an average of 250,000 cubic feet of gas per day is eligible for a special reduced tax rate of 1.3¢ per MCF. The purpose of this special rate is to encourage the continued production from low-producing gas wells.

#### **Legal Citation**

R.S. 47:633(9)(c)

#### **Origin**

Acts 1958 Ex. Sess., No. 2

#### **Effective Date**

1958

#### **Beneficiaries**

The intent of the reduced rate is to encourage small independent operators to continue production on low-producing wells. Major oil companies also benefit from this special reduced rate.

#### **Administration**

The purpose of this special rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$32,551,000	\$37,434,000

# Natural Resources - Severance Tax

## *Oil deduction*

### 13. Trucking, barging, and pipeline fees

Oil and condensate are taxable at the higher of 12.5 percent of the gross receipts less charges for trucking, barging, and pipeline fees or the posted field price. The Department's regulation, LAC 61:1.2903, allows producers transporting through their own facilities a 25¢ per barrel deduction; those with third-party transportation may deduct 25¢ per barrel or the actual amount charged. The purpose of the regulation is to allow a standard 25¢ per barrel deduction for all producers.

#### **Legal Citation**

R.S. 47:633(7)(a)

#### **Origin**

Acts 1973 Ex. Sess., No. 6

#### **Effective Date**

January 1, 1974

#### **Beneficiaries**

All of industry

#### **Administration**

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$4,021,000	\$4,624,000

## *Oil suspensions*

### 14. Horizontal wells

Any well drilled or recompleted horizontally from which production begins after July 31, 1994, will have all severance tax suspended for 24 months or until payout of the well is achieved, whichever occurs first. Payout of well cost is the cost of completing the well to the start of production. The purpose of this tax suspension is to encourage drilling horizontal wells.

#### **Legal Citation**

R.S. 47:633(7)(c)(iii)

#### **Origin**

Acts 1994, No. 2

#### **Effective Date**

August 1, 1994

#### **Beneficiaries**

Any producer who successfully completes or recompletes a well horizontally

#### **Administration**

The Department of Natural Resources determines the well cost payout and the Department of Revenue administers the tax suspension.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$688,000	\$791,000



# Natural Resources - Severance Tax

## 15. Inactive wells

Oil wells returned to service after being inactive for two or more years or having 30 days or less production for the past two years were allowed a severance tax exemption for five years. The June 30, 1996, deadline for applying for inactive status was extended to June 30, 1998, by Acts 1996, No. 16, and to June 30, 2000, by Acts 1998, No. 7. Acts 2002, No. 74 amended R.S. 47:633(7)(c)(iv) to reactivate the exemption effective for production beginning July 1, 2002, and ending June 30, 2006, and change the exemption period from five to two years. Acts 2005, No. 492 extended the time for taxpayers to apply for certification June 30, 2006, to June 30, 2010, and extended the suspension period from two to five years for any well granted inactive certification on or after January 1, 2005.

### Legal Citation

R.S. 47:633(7)(c)(iv)

### Origin

Acts 1994, No. 2

### Effective Date

August 1, 1994

### Beneficiaries

Oil producers with older mature fields containing many inactive wells

### Administration

The potential for a large number of participants, plus the combination of the Department of Natural Resources certifying and the Department of Revenue administering could present problems.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$11,038,000	\$12,694,000

## 16. Deep wells

The severance tax on oil wells drilled to a true vertical depth of more than 15,000 feet is suspended for a period of 24 months or until payout of the well cost, whichever occurs first. Production must start after July 31, 1994. The purpose of this tax suspension is to encourage oil operators to invest in the drilling of deep wells.

### Legal Citation

R.S. 47:633(9)(d)(v)

### Origin

Acts 1994, No. 2

### Effective Date

August 1, 1994

### Beneficiaries

Oil producers that successfully drill to a depth greater than 15,000 feet

### Administration

This incentive will be easy to administer as there should be a limited number of oil wells successfully completed at a depth of more than 15,000 feet.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$4,791,000	\$5,510,000

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# Natural Resources - Severance Tax

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## 17. New discovery wells

The severance tax on production from certified new oil discovery wells is suspended for a period of 24 months from the date of completion or until payout of the cost is recovered, whichever occurs first. The wells must be spudded after September 30, 1994, and completed before September 30, 1998. Act 7 of the 1998 Regular Legislative Session extended the completion date until September 30, 2000. The purpose of this tax suspension was to encourage exploration for new oil wells.

### Legal Citation

R.S. 47:648.1 et seq.

### Origin

Acts 1994, No. 2

### Effective Date

October 1, 1994

### Beneficiaries

Oil producers with new discovery wells

### Administration

The Department of Natural Resources certifies these wells and the Department of Revenue administers the program.

### Estimated Fiscal Effect

Since the new discovery well completion deadline was September 30, 2000, and the suspension was for 24 months from the date of completion, no additional revenue losses are expected.

## 18. Tertiary recovery

This suspension, enacted in 1983, provides that no severance tax is due on crude oil produced from a qualified tertiary project approved by the Department of Natural Resources until the project has reached payout. The purpose of this suspension is to provide financial assistance to producers undertaking large-scale carbon dioxide injection projects.

### Legal Citation

R.S. 47:633.4

### Origin

Acts 1983 Ex. Sess., No. 643

### Effective Date

July 20, 1983

### Beneficiaries

Producers undertaking large-scale carbon dioxide injection projects were the intended beneficiaries of this suspension; however, the collapse of oil prices postponed these projects.

### Administration

To date, with only three projects approved, there have been no problems.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$104,000	\$120,000

# Natural Resources - Severance Tax

## *Oil special rates*

### 19. Incapable oil

An oil well incapable of producing an average of more than 25 barrels of oil per producing day, and producing at least 50 percent salt water, and having no capable well on the lease is eligible for a special reduced tax rate of 6.25 percent of value. The purpose of this special rate is to encourage the continued production from low-volume wells.

#### Legal Citation

R.S. 47:633(7)(b)

#### Origin

Acts 1948, No. 10

#### Effective Date

1948

#### Beneficiaries

Oil producers in Louisiana with wells producing in the 10-25 barrel per day range

#### Administration

This special reduced rate program is becoming more efficient to administer, monitor, and enforce.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$10,433,000	\$11,998,000

### 20. Stripper oil

An oil well incapable of producing an average of more than ten barrels of oil per producing day for the entire taxable month is eligible for a special reduced tax rate of 3.125 percent of value. The purpose of this special rate is to encourage the continued production from stripper oil wells.

#### Legal Citation

R.S. 47:633(7)(c)(i)(aa)

#### Origin

Acts 1973 Ex. Sess., No.5

#### Effective Date

January 1, 1974

#### Beneficiaries

Oil producers in Louisiana with low-producing oil wells

#### Administration

The purpose of the special reduced rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$29,031,000	\$33,393,000

# Natural Resources - Severance Tax

## 21. Stripper oil - value less than \$20 per barrel

An oil well certified as a stripper well (incapable of producing an average of more than ten barrels of oil per producing day) is exempt from severance tax in any month in which the average posted price for a 30-day period is less than \$20 per barrel. Act 43 of the 1998 Regular Legislative Session amended the law to provide that the same value used as a basis to impose the severance tax under R.S. 47:633(7)(a) be used to determine the exemption for certified stripper production. The purpose of this exemption is to encourage producers to continue the operation of low-producing oil wells. However, stripper wells already qualify for a reduced tax rate of 3.125 percent of value.

### Legal Citation

R.S. 47:633(c)(i)(bb)

### Origin

Acts 1994, No. 2

### Effective Date

June 1, 1994

### Beneficiaries

Producers with oil wells certified as a stripper well

### Administration

The purpose of the special reduced rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$0	\$0

## 22. Salvage oil

A special reduced rate of 3.125 percent of value applies to salvage oil reclaimed by class-one reclamation facilities that are permitted by the Office of Conservation. The purpose of this special rate is to provide financial assistance to class-one salvage oil operators.

### Legal Citation

R.S. 47:648.21

### Origin

Acts 1986, No. 673

### Effective Date

July 1, 1986

### Beneficiaries

Class-one salvage oil operators benefit from this special reduced rate. There is a prohibition against any person or affiliate of a person actually engaged in severing of oil, gas, or other natural resources from participating in this reduced rate program.

### Administration

The purpose of the special reduced rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$407,000	\$468,000

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# Natural Resources - Severance Tax

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## 23. Horizontal mining and drilling projects

The working-interest owners of horizontal-mining and drilling projects approved by the Office of Conservation are taxed at the special reduced rate of 3.125 percent of value until the cumulative value of hydrocarbon production from the project equals 2.33 times the private investment invested by the working-interest owners. The purpose of this special rate is to promote innovation in horizontal-mining and drilling technologies.

### Legal Citation

R.S. 47:633(7)(c)(ii) (aa) and (cc)

### Origin

Acts 1990, No. 551

### Effective Date

August 1, 1990

### Beneficiaries

Companies who undertake horizontal-mining and drilling projects benefit from this special rate. One project was planned, but never got off the ground and there are none planned for the near future.

### Administration

There has been no activity; however, the language of recouping 2.33 times the private investment is unclear and could be difficult to administer.

### Estimated Fiscal Effect

\$0; no activity is anticipated for FY 2005-06.

## *Oil and gas incentive*

## 24. Produced water injection incentive

A 20 percent severance tax reduction is allowed on oil and gas produced from wells in which produced water is injected into the reservoir to increase recovery. This incentive was enacted to reduce produced water discharge by providing a severance tax saving for producers that inject produced waters into an oil or gas reservoir to increase recovery or oil or gas.

### Legal Citation

R.S. 47:633.5(C)

### Origin

Acts 1991, No. 625

### Effective Date

July 17, 1991

### Beneficiaries

Oil and gas producers that inject produced waters into an oil or gas reservoir to increase the recovery or oil or gas will benefit from this incentive.

### Administration

There should be no problems administering this incentive.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$226,000	\$260,000

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# Natural Resources - Severance Tax

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## *Mineral exemption*

### **25. Owned and severed by political subdivisions**

This exemption, enacted in 1988, applies to any political subdivision of the state that owns and severs minerals for its own use. The purpose of this exemption is to provide financial assistance to police jurors severing gravel for their own use.

#### **Legal Citation**

R.S. 47:632(B)

#### **Origin**

Acts 1988, No. 594

#### **Effective Date**

1988

#### **Beneficiaries**

The political subdivisions that own and sever minerals for their own use

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

\$0; no activity is anticipated in the future since the tax on gravel has been repealed.



# **Petroleum Products Tax Exemptions**





# Petroleum Taxes

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# Petroleum Taxes

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## *Introduction*

A tax on gasoline and motor fuels was first levied in the 1921 Louisiana Constitution at the rate of 1¢ per gallon. Special fuels were first taxed at the rate of 7¢ per gallon under a Use Fuel Tax as levied by Act 244 of 1940. This act also required fuel permits. Various amendments through the years set the rates as follows:

- 1921 Gasoline tax first levied at 1¢ per gallon
- 1924 Gasoline at 2¢ per gallon
- 1928 Gasoline at 4¢ per gallon
- 1930 Gasoline at 5¢ per gallon
- 1936 Gasoline at 7¢ per gallon
- 1940 Special fuels tax first levied at 7¢ per gallon
- 1948 Gasoline and special fuels at 9¢ per gallon
- 1952 Gasoline and special fuels at 7¢ per gallon
- 1968 Gasoline and special fuels at 8¢ per gallon
- 1984 Gasoline and special fuels at 16¢ per gallon
- 1990 Gasoline and special fuels at 20¢ per gallon

Act 16 of the First Extraordinary Session of 1989 increased the total tax on gasoline, motor fuels, and special fuels to the current 20¢ per gallon, not by increasing the 16¢ per gallon rate imposed by R.S. 47:711 and R.S. 47:802, but by levying an additional 4¢ under a new part titled Transportation Infrastructure Model for Economic Development (TIMED). The money generated by this levy, which was effective January 1, 1990, was specifically dedicated. By the same legislation, the Transportation Trust Fund was created wherein the 16¢ per gallon tax collections would eventually be deposited.

## **Gasoline and Diesel Fuels Tax**

The gasoline tax was collected from the dealer who first handles, sells, distributes, uses, or consumes the gasoline and motor fuel in Louisiana. However, Acts 2005, No. 252 enacted R.S. 47:818.1 et seq. to move the point of collection for tax on motor fuels to the terminal rack. Clear diesel fuel, as newly defined, will be subject to tax when the product leaves the terminal via the rack so that subsequent sales of the product should be of taxed fuel and any clear diesel ultimately used for a nontaxable purpose could be eligible for the refund of the fuel tax paid.

The act also changed the discounts allowed to dealers and marketers. Previously a discount was allowed to gasoline dealers for three percent of the first 1¢ of tax; gasoline jobbers were allowed three percent of the first 4¢ of tax; and special fuel suppliers were allowed three percent of net taxable gallons. Under the act, effective July 1, 2006, suppliers (refiners) are allowed to keep 1.5 percent of the tax if they timely file and remit the taxes and pass on one percent of the tax to the distributors (marketers).

## **Special Fuels Tax**

Special fuels are defined as any gas or liquid, other than gasoline or diesel fuel, used or suitable for use as motor fuel in an internal combustion engine or motor to propel any form of vehicle, machine, or mechanical contrivance. Special fuels include compressed natural gas, liquefied natural gas, and liquefied petroleum gas. The tax on special fuels was paid by any person who operates a motor vehicle upon the highways that uses or is capable of using LPG or CNG. The tax is paid on the annual return and is evidenced by a decal that is issued to the operator for each vehicle.

Owners or operators of motor vehicles that use liquefied natural gas, liquefied petroleum gas, or compressed natural gas pay an annual flat rate or tax based on usage depending on weight of the vehicle. Act 2005, No. 252 does not change the manner in which this tax will be reported or collected.

## **Fee for Inspection**

To defray the expenses connected with the inspection, testing, and analyzing of petroleum products in the state, an inspection fee of 4/32 of one cent per gallon is collected on all petroleum products distributed, sold, or offered for sale or use or consumption in the state or used or consumed in the state. The fee, to be paid by the first person handling the fuel, must be paid before delivery to agents, dealers, or consumers in the state. The fee is not collected on liquefied petroleum gas, natural gas, or bulk sale or transfers and exports out of the state are not subject to the fee. In addition, no fee is due on fuels that are eligible for tax refunds under the provisions of R.S. 47:818.15(A)(5) or that are sold for use in or distributed to seagoing vessels as defined in R.S. 3:4602.

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# Petroleum Taxes

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## Legal Citations

R.S. 47:818.6 enacted by Acts 2005, No. 252 provides that the provisions of the act, R.S. 47:818.1 et seq. supersede the provisions of R.S. 47:711-727, 771-788, and 801-815.1 to the extent that they are inconsistent or in conflict. The provisions of R.S. 47:711-727, 771-788, and 801-815.1 that are not inconsistent or in conflict with R.S. 47:818.1 et seq. remain in effect.

## Gasoline and Diesel Fuels Tax:

R.S. 47:818.1 through 818.6-General Provisions

R.S. 47:818.11 through 818.61 Gasoline and Diesel Fuel

## Special Fuels Tax:

R.S. 47:818.1 through 818.6-General Provisions

R.S. 47:818.101 through 818.103 Special Fuels

## Fee for Inspection:

R.S. 3:4684

## Tax Base

Gasoline and diesel fuel sold, used, or consumed in the state of Louisiana for domestic consumption; all special fuels sold, used, or consumed in Louisiana for the operation of motor vehicles that are licensed or required to be licensed for highway use.

## Fee Base

All petroleum products distributed, sold, or offered or exposed for sale or use or consumption in the state of Louisiana except liquefied petroleum gas and natural gas.

## Tax Rate

Gasoline and diesel fuels .....20¢ per gallon  
Special fuels.....20¢ per gallon  
Fee for inspection .....4/32 of 1¢ per gallon

Liquefied natural gas, liquefied petroleum gas, and compressed natural gas:

Vehicles under 10,000 pounds—option of:

- Annual flat rate of \$150 (80 percent of \$187.50); or
- Variable rate of 16¢ per gallon (80 percent of current 20¢ rate) based on fuel efficiency of 12 miles per gallon, but not to exceed the annual flat rate.

Vehicles over 10,000 pounds

- Variable rate of 16¢ per gallon (80 percent of the current 20¢ rate) on fuel used based on the gallons used the previous year and using the schedule for calculating vehicle's miles per gallon provided by law. However, the minimum payment shall not be less than \$150 (80 percent of \$187.50).

School buses that transport Louisiana students

- One-half of the lesser of the regular flat rate or one-half of the variable rate.

## Types of Tax Exemptions

Petroleum products tax exemptions are in the form of exemptions, refunds, and discounts. Exemptions are items that were included in the tax base, but have been specifically exempted statutorily. Refunds are a restitution of taxes paid. Discounts are a proportionate deduction from the amounts reported.

There are two statutory tax exemptions that are also prohibited from taxation by federal laws. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

## Significant Changes Fiscal Year 2005-2006

There were no significant changes to the Petroleum Products taxes during the past year.

# Petroleum Taxes

## *Gasoline tax exemptions*

### 1. Casinghead gasoline

Casinghead and absorption gasoline, when sold to be blended or compounded with other less volatile liquids in the manufacture of commercial gasoline or motor fuel, is exempt from gasoline tax. The purpose of this exemption is to encourage the blending of casinghead and absorption gasoline with other less volatile liquids in the production of gasoline or motor fuels.

#### Legal Citation

R.S. 47:713

#### Origin

Acts 1928 Ex. Sess., No. 6

#### Effective Date

January 4, 1929

#### Beneficiaries

At present, no casinghead or absorption gasoline is being sold for blending or compounding with a less volatile liquid in the manufacturing of commercial gasoline as a motor fuel.

#### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

#### Estimated Fiscal Effect

\$0.

### 2. Aviation gasoline

Aviation fuel used for propelling aircraft, including aircraft operated in interstate or foreign commerce under a certificate or permit issued by the Civil Aeronautics Board of the United States or any successor or federal governmental board or agency having similar authority is exempt from the tax. The purpose of this provision is to allow the sale of gasoline for aviation use to be exempt from the gasoline tax.

#### Legal Citation

R.S. 47:716.1 superseded by R.S. 47:818.14(A)(3)

#### Origin

Acts 1980, No. 559, superseded by Acts 2005, No. 252.

#### Effective Date

September 12, 1980

#### Beneficiaries

Owners/operators of aviation gasoline powered aircraft

#### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,300,000	\$1,300,000

# Petroleum Taxes

## *Gasoline tax refunds*

### 3. School-bus drivers

Contract drivers of all privately owned school buses transporting Louisiana students may qualify for a refund of three-fourths of the gasoline or diesel fuel tax paid during the period July 1, 2005 through June 30, 2006, and one-half of the gasoline or diesel fuel tax paid beginning July 1, 2006. This refund does not apply to commercial buses that transport students only incidentally as a part of the operator's regular business. The purpose of this refund is to financially assist contract drivers of privately owned school buses.

#### Legal Citation

R.S. 47:715.1 superseded by R.S. 47:818.15(A)(1)

#### Origin

Acts 1984, No. 927, superseded by Acts 2005, No. 252.

#### Effective Date

September 3, 1984

#### Beneficiaries

Contract drivers of privately owned school buses

#### Administration

The purpose of the refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$100,000	\$100,000

### 4. Farmers, fishermen, and aircraft

Tax paid on gasoline fuel used for the following purposes may be refunded when the requirements of R.S. 47:1681 et seq. have been met:

- Operating or propelling aircraft;
- Operating or propelling any commercial fishing boat or any vehicle used by a licensed fisherman in the administration of business associated with commercial fishing;
- Operating any boat used to transport children to or from school; and
- Operating any farm tractor or any farm machinery, including any stationary motor, used in the actual tilling of the soil and production of crops.

The purpose of this refund is to allow gasoline for certain uses to be free of tax and to provide financial assistance to the beneficiaries.

#### Legal Citation

R.S. 47:818.15(A)(2)

#### Origin

Acts 1950, No. 371 and Acts 2005, No. 252.

#### Effective Date

September 1, 1950

#### Beneficiaries

Farmers, fishermen, and operators of gasoline-powered aircraft

#### Administration

The purpose of the refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$100,000	\$100,000

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# Petroleum Taxes

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## *Gasoline tax discounts*

### **5. Discount of 3% for gasoline jobber**

R.S. 47:719(B) provided gasoline dealers with a discount of three percent of the first 1¢ of the total tax per gallons sold, used, or consumed by a dealer for domestic consumption to be deducted from the taxable gallonage. The purpose of this discount was to compensate the dealers for product losses incurred when handling motor fuels.

Beginning July 1, 2006, this discount was superseded by Acts 2005, No. 252, and will no longer be allowed

#### **Legal Citation**

R.S. 47:719(B) superseded by R.S. 47:818.22(A)

#### **Origin**

Acts 1928 Ex. Sess., No. 6; superseded by Acts 2005, No. 252.

#### **Effective Date**

January 4, 1929

#### **Beneficiaries**

Suppliers and permissive suppliers that comply with the discount requirements

#### **Administration**

The purpose of the discount is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

\$0

### **6. Discount of 3% for gasoline dealer**

R.S. 47:719(A) provided gasoline jobbers with a discount of three percent of the first 4¢ of the total tax per gallon purchased for domestic consumption as a deduction from the taxable gallonage. The purpose of the discount was to compensate the jobbers for product losses incurred when handling motor fuels.

Beginning July 1, 2006, this discount was superseded by Acts 2005, No. 252, and will no longer be allowed

#### **Legal Citation**

R.S. 47:719(A) superseded by R.S. 47:818.22

#### **Origin**

Acts 1975, No. 503; superseded by Acts 2005, No. 252.

#### **Effective Date**

September 12, 1975

#### **Beneficiaries**

Licensed distributors and importers that comply with the discount requirements

#### **Administration**

The purpose of the discount is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

\$0

# Petroleum Taxes

## *Gasoline tax discounts*

### **7. Discount for timely filing and payment by suppliers/permissive suppliers**

R.S. 47:818.22(A) allows suppliers and permissive suppliers that file a timely return and remit a timely payment to deduct an administrative discount of one and one-half percent of the tax due on gasoline fuels. The deduction is only allowed if the supplier allows a deduction of one percent to a purchaser with a valid distributor or importer license.

#### **Legal Citation**

R.S. 47:818.22(A)

#### **Origin**

Acts 2005, No. 252

#### **Effective Date**

July 1, 2006

#### **Beneficiaries**

Suppliers and permissive suppliers that comply with the discount requirements

#### **Administration**

The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$8,000,000	\$8,000,000

## *Special fuels tax refunds*

### **8. School-bus drivers**

Contract drivers of all privately-owned school buses transporting Louisiana students, whether such students are in private or public schools, are eligible for a refund of three-fourths of the special fuels tax. The purpose of this refund is to financially assist contract drivers of privately-owned school buses.

#### **Legal Citation**

R.S. 47:715.1

#### **Origin**

Acts 1984, No. 927

#### **Effective Date**

September 3, 1984

#### **Beneficiaries**

Contract drivers of privately owned school buses

#### **Administration**

The purpose of the refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,000,000	\$2,000,000

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# Petroleum Taxes

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## 9. Diesel fuels used in licensed vehicles by commercial fishermen

Licensed commercial fishermen are eligible for a refund of the diesel fuels tax paid on the fuel used operating licensed motor vehicles when performing commercial fishing-related business. The purpose of this refund is to allow undyded diesel fuels used by fishermen to be free of tax and to financially assist the commercial fishermen.

### Legal Citation

R.S. 47:802.2 superseded by R.S. 47:818.15(A)(2)

### Origin

Acts 1982, No. 820 and Acts 2005, No. 252

### Effective Date

January 1, 1983

### Beneficiaries

Licensed commercial fishermen

### Administration

The purpose of the refund is achieved in a fiscally effective manner. Estimated Fiscal Effect: Negligible; less than \$10,000

## *Special fuels tax discount*

### 10. Discount of three percent

A three percent discount of the net taxable gallons reported was allowed for collecting and remitting the tax and as an allowance for evaporation. The purpose of this discount was to compensate the suppliers for expenses incurred in collecting and remitting the taxes and for product losses incurred due to evaporation.

Beginning July 1, 2006, this discount will be superseded by Acts 2005, No. 252, and will no longer be allowed.

### Legal Citation

R.S. 47:808(C) superseded R.S. 47:818.22(A) and (B)

### Origin

Acts 1954, No. 166; superseded by Acts 2005, No. 252.

### Effective Date

July 30, 1954

### Beneficiaries

Licensed special fuels suppliers

### Administration

The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$0	\$0



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# Petroleum Taxes

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## 11. Discount for timely filing and payment by suppliers/permissive suppliers

R.S. 47:818.22(A) allows suppliers and permissive suppliers that file a timely return and remit a timely payment to deduct an administrative discount of one and one-half percent of the tax due on diesel fuels. The deduction is only allowed if the supplier allows a deduction of one percent to a purchaser with a valid distributor or importer license.

### Legal Citation

R.S. 47:818.22(A)

### Origin

Acts 2005, No. 252

### Effective Date

July 1, 2006

### Beneficiaries

Suppliers and permissive suppliers that comply with the discount requirements

### Administration

The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,000,000	\$2,000,000

## *Inspection Fee Exemption*

## 12. Gasoline and undyed diesel brought into Louisiana in fuel supply tanks of interstate motor fuel users

The inspection fee does not apply to gasoline or undyed diesel fuels brought into Louisiana in the fuel supply tanks of interstate motor fuel users. The majority of these users are participants in the International Fuel Tax Agreement who file reports with their base jurisdiction to report miles traveled within this state and the related tax liability.

### Legal Citation

R.S. 47:818.13(F) and R.S. 3:4684

### Origin

Acts 1976, No. 555

### Effective Date

January 1, 1977

### Beneficiaries

Interstate motor fuel users who travel into and through Louisiana

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000.)

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# Petroleum Taxes

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## 13. Undyed diesel fuel used by commercial fisherman

The inspection fee does not apply to taxed undyed special fuel that is purchased and used in vehicles utilized by licensed commercial fishermen in the administration of the business associated with commercial fishing that is subject to a tax refund in accordance with R.S. 47:818.15(A)(5).

### Legal Citation

R.S. 3:4684

### Origin

Acts 2003, No. 139

### Effective Date

September 1, 2003

### Beneficiaries

Licensed commercial fishermen

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000.)

## 14. Diesel fuels used in or distributed to seagoing vessels

The inspection fee does not apply to fuels sold for use in or distributed to seagoing vessels as defined at R.S. 3:4602. These vessels must also be in possession of an exemption certificate issued under the provisions of R.S. 47:305.1.

### Legal Citation

R.S. 3:4684

### Origin

Acts 2003, No. 139

### Effective Date

September 1, 2003

### Beneficiaries

Purchasers of diesel fuels that are used for or distributed to seagoing vessels.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$525,000	\$525,000

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# Petroleum Taxes

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## 15. Exports of gasoline or diesel fuels

The inspection fee does not apply to gasoline or diesel fuels that are exported from Louisiana.

### Legal Citation

R.S. 3:4684

### Origin

Acts 2003, No. 139

### Effective Date

September 1, 2003

### Beneficiaries

Those who export products in interstate commerce.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$625,000	\$625,000

## *Federally imposed exemptions*

## 16. Gasoline sales to federal government and its agencies

Bulk gasoline sales of 6,000 gallons or more per transaction to the U.S. Government and gasoline sold to the U.S. armed forces for propelling ships of the Navy or Coast Guard or for aviation purposes is exempt from the gasoline taxes. The purpose of this provision is to provide an exemption for bulk sales and for fuel used for specific government purposes and not for resell at retail.

### Legal Citation

R.S. 47:715 superseded by R.S. 47:818.14(A)(1) and (2)

### Origin

Acts 1944, No. 131

### Effective Date

July 6, 1944

### Beneficiaries

The U.S. Government

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,000,000	\$2,000,000

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# Petroleum Taxes

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## 17. Interstate gasoline shipments/exports

Gasoline or undyed diesel fuel exported to any other state is exempt from the tax only when the tax of the destination state is remitted to the supplier for that state. This exemption does not apply to any gasoline or undyed diesel fuel that is transported and delivered outside this state in the fuel supply tank of a highway vehicle.

In addition, gasoline or undyed diesel fuel exported to a foreign country is exempt from the tax if the bill of lading indicates the foreign destination.

The purpose of these exemptions is to comply with taxation prohibitions of the U.S. Constitution.

### Legal Citations

R.S. 47:717 superseded by R.S. 47:818.14(C) and (D) and the U.S. Constitution

### Origin

Acts 1928 Ex. Sess., No. 6

### Effective Date

January 4, 1929

### Beneficiaries

Dealers who export products in interstate commerce

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,000,000,000	\$1,000,000,000

# **Public Utilities and Carriers Tax Exemptions**

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# Public Utilities and Carriers Taxes

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# Public Utilities and Carriers Taxes

## Inspection and Supervision Fee

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### ***Introduction***

The inspection and supervision fee was first imposed by Act 108 passed during the Extraordinary Session of 1921. This act established that each common carrier and public utility doing business in Louisiana and subject to the control and jurisdiction of the Public Service Commission would pay an annual fee for the inspection, control, and supervision of the business, service, and rates of such common carrier and public utility. The fee was set on a graduated scale, with a minimum annual fee established of \$10 not to exceed a maximum of \$500, to be due at the end of December. Changes to the fee and rate schedules occurred in 1928, 1935, 1962, 1970, and again in 1972 when a minimum annual fee of \$35 was established and the maximum amount eliminated.

The year 1985 brought forth two pieces of legislation. Act 182 changed the due date from December 31 to April 1; while Act 561 implemented a supplemental fee of 20 percent of the inspection and supervision fee payment on each gas, electric, and telephone public utility. Act 700 of 1986 changed the reporting period from annually to quarterly, adjusted the rates, and established the minimum amount to be paid at not less than \$12.50 quarterly, \$50 annually.

As a result of Section 601 of the Federal Aviation Administration Act of 1994, Act 301 of 1995 was enacted removing certain motor carriers from the jurisdiction of the Louisiana Public Service Commission thus eliminating these carriers from the imposition of the Inspection and Supervision Fee.

### **Legal Citations**

R.S. 45:1177 through 45:1179

### **Tax Base**

Gross receipts from Louisiana intrastate business from each common and contract carrier and public utility.

### **Tax Rate**

- \$3.18 per \$1,000 for the first \$100,000 or less of such gross receipts;
- \$2.68 per \$1,000 of such gross receipts in excess of \$100,000 and not more than \$250,000;
- \$2.18 per \$1,000 of such gross receipts in excess of \$250,000 and not more than \$500,000;
- \$1.68 per \$1,000 of such gross receipts in excess of \$500,000 and not more than \$750,000;
- \$1.43 per \$1,000 of such gross receipts in excess of \$750,000 and not more than \$1,000,000;
- \$1.18 per \$1,000 of such gross receipts in excess of \$1,000,000 and not more than \$2,000,000;
- \$.93 per \$1,000 of such gross receipts in excess of \$2,000,000 and not more than \$5,000,000;
- \$.68 per \$1,000 of such gross receipts in excess of \$5,000,000 and not more than \$10,000,000;
- \$.58 per \$1,000 of such gross receipts in excess of \$10,000,000 and not more than \$25,000,000
- \$.48 per \$1,000 of such gross receipts in excess of \$25,000,000 and not more than \$100,000,000;
- \$.38 per \$1,000 of such gross receipts in excess of \$100,000,000.

In no case shall the fee be less than \$50 annually.

### **Types of Tax Exemptions**

For the purpose of the fee, the tax exemptions are in the form of exclusions. Exclusions are items specifically not included in the tax base.

### **Significant Changes Fiscal Year 2005-2006**

There were no significant changes to the inspection and supervision fee laws during the past year.



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# Public Utilities and Carriers Taxes

## Inspection and Supervision Fee

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### *Exclusions*

#### **1. Ten-mile zone exclusion**

Certain common carriers operating sightseeing passenger vehicles are allowed to exclude a ten-mile zone from the computation of their gross receipts. The common carrier must operate the vehicles within the limits and not more than ten miles from one incorporated municipality under a municipal certificate of public convenience and necessity. The purpose of this exclusion is to shelter the ten-mile zone from taxation.

#### **Legal Citation**

R.S. 45:1177(A)(4)

#### **Origin**

Acts 1980, No. 626

#### **Effective Date**

September 12, 1980

#### **Beneficiaries**

Carriers conducting business operations as provided

#### **Administration**

The purpose of the exclusion is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

Unable to anticipate; no reporting requirement.

#### **2. Power cost exclusion**

A deduction from gross receipts is allowed for the cost paid for the purchase of wholesale power for resale by electric cooperatives organized pursuant to R.S. 12:401 et seq. The purpose of this exclusion is to eliminate the double taxation of power; first when it is purchased for resale and second when it is sold.

#### **Legal Citation**

R.S. 45:1177(A)(5)

#### **Origin**

Acts 1990, No. 39

#### **Effective Date**

September 7, 1990

#### **Beneficiaries**

Electric cooperatives and their customers

#### **Administration**

The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$150,000	\$150,000

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# Public Utilities and Carriers Taxes

## Inspection and Supervision Fee

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### 3. Commercial mobile service exclusion

That portion of telephone public utilities receipts attributable to commercial mobile services are to be excluded when determining the amount of supplemental fee due per R.S. 45:1177(D) that is in addition to the inspection fees. The purpose of this exclusion is to remove certain receipts from charges not under the regulation of the Public Service Commission from the base for computing the supplemental fee.

#### Legal Citation

R.S. 45:1177(E)

#### Origin

Acts 1997, No. 710

#### Effective Date

July 1, 1997

#### Beneficiaries

Any person or entity owning, operating, managing, or otherwise providing commercial mobile services

#### Administration

The purpose of the exclusion is to be achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$75,000	\$75,000

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# Public Utilities and Carriers Taxes

## Transportation and Communication Utilities Tax

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### *Introduction*

A tax on transportation and communication utilities was first imposed by Act 13 of the 1934 Regular Legislative Session. The tax was levied on every person owning or operating any public utility in this state. Public utilities has been defined to include railroads and railways, sleeping cars, motor bus lines, motor freight lines, express companies, boat or packet lines, and pipe lines. The basic law has remained relatively unchanged over the years with the majority of changes occurring to the definitions of the various utilities and what constitutes gross receipts for the respective utilities.

Acts 1991, No. 388 repealed the transportation and communication tax as it applied to telephone companies and at the same time the telephone companies' services became subject to sales and use tax.

### **Legal Citations**

R.S. 47:1001 through 47:1010

### **Tax Base**

Gross receipts, as defined, from the utility's intrastate business.

### **Tax Rate**

Two percent of gross receipts as defined.

### **Types of Tax Exemptions**

The only tax exemption provided for is an exclusion. An exclusion is an item specifically not included in the tax base.

### **Significant Changes Fiscal Year 2005-2006**

There were no significant changes to the transportation and communications utilities tax laws during the past year.

### *Exclusion*

#### **1. Seven-mile zone exclusion**

Gross receipts from the transportation of passengers, freight, or property that originates and is delivered to points within the corporate limits of the same city or town or within a seven-mile zone adjacent to the city or town and within two contiguous parishes each with a population of 400,000 or more and a seven-mile adjacent zone, are not subject to the excise tax. The purpose of this exclusion is to shelter the seven-mile zone from taxation.

### **Legal Citation**

R.S. 47:1003(11)

### **Origin**

Acts 1965, No. 34; amended by Acts 1991, No. 291

### **Effective Date**

June 28, 1965

### **Beneficiaries**

Public utilities that transport within the specified radii

### **Administration**

The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$450,000	\$450,000

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# **Sales Tax Exemptions**



# Sales Tax

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# Sales Tax

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## *Introduction*

Louisiana sales tax was first imposed in 1936. The original sales tax was enacted as a two percent luxury sales tax. It was replaced by a one percent general sales tax that was in effect between 1938 and 1940. In 1942, a one percent war emergency tax was enacted and set to run for a two-year period. The first permanent sales tax was enacted in 1944 at a rate of one percent (R.S. 47:302); increased to two percent in 1948 (R.S. 47:302); increased to three percent in 1970 (R.S. 47:321); and increased to a four percent rate in 1984 (R.S. 47:331).

The general sales tax rate was four percent until June 30, 1988. In 1988, the legislature created the Louisiana Recovery District and authorized the District to issue bonds to be secured through the imposition of a sales tax. The one percent general sales tax imposed under R.S. 47:321 was repealed and was replaced by the one percent Recovery District tax. Due to bonding requirements, the taxes levied by the Recovery District are not affected by tax law changes subsequent to 1988. This combination of a three percent general sales tax, along with a one percent Recovery District tax remained in effect from July 1, 1988 to September 30, 1990.

In 1990, the legislature created the Louisiana Tourism Promotion District and granted it the authority to levy a tax. On October 1, 1990, the Tourism Promotion District levied a .03 percent sales tax, and on the same date the general sales tax rate imposed under R.S. 47:331 was reduced to .97 percent totaling the same overall tax rate of one percent. The tax base is the same for the Tourism Promotion District and general sales tax. On September 30, 1996, the bonds of the Recovery District were retired and the Recovery District ceased to exist. The levy of the Recovery District was replaced with a one percent general sales tax levy under R.S. 47:321.

For the purposes of this report, the term general sales tax is used to reference the four percent tax imposed by both the state and the Tourism Promotion District.

Exclusions and exemptions from the sales tax have existed since the first tax levy and new exclusions and exemptions have been enacted over the years. The exemptions were effective against the total sales tax base until 1986. During the 1986 Regular Legislative Session, House Concurrent Resolution 55 was enacted, which suspended the sales tax exemptions imposed under R.S. 47:331 for the period of July 1, 1986 through June 30, 1987. As a result of the suspension,

traditionally exempt items were subject to a one percent sales tax. The legislature continued the one percent suspension until July 31, 1989. Effective August 1, 1989, the suspension rate was changed to three percent through December 31, 1989; two percent from January 1, 1990 through July 9, 1990; and three percent from July 10, 1990 through June 30, 1997. From July 1, 1993 to September 30, 1996, exemptions from the one percent sales tax levied by the Louisiana Recovery District were also suspended, resulting in a four percent suspension rate.

In order to extend tax relief, the Louisiana Legislature began enacting exclusions from the tax under the definitions in R.S. 47:301, rather than the exemptions under R.S. 47:305. Some of the new exclusions replaced existing exemptions that were taxable under the suspension of exemptions. This action resulted in two statutes affecting the same subject. In 1998, duplicative exemptions were repealed leaving only the exclusion as the statutory authority. The bonds of the Recovery District were retired as of September 30, 1996, and the District ceased to exist. The levy of the District was replaced with a one percent general sales tax levy and the four percent suspension continued until June 30, 1997.

From July 1, 1997 to June 30, 2000, the suspension rate is three percent. From July 1, 2000 to June 30, 2009 the suspension rate is four percent, except for sales of non-residential electricity, water utility service, natural gas, and steam, which is subject to a suspended tax rate of 3.8 percent through December 31, 2005. For the period January 1, 2006, to June 30, 2009 sales for nonresidential purposes of natural gas for energy and electric power will be subject to a suspended rate of 3.3 percent. Sales of steam and water for nonresidential use will continue to be taxed at the suspended rate of 3.8 percent.



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# Sales Tax

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The sales tax currently collected by the Department of Revenue is as follows:

## Legal Citations

R.S. 47:301 - 47:333  
R.S. 4:168  
R.S. 4:227  
R.S. 12:425  
R.S. 33:4169  
R.S. 38:2212.3  
R.S. 39:367 - 39:368  
R.S. 40:582.1 - 40:582.7  
R.S. 47:1121  
R.S. 47:1515.1  
R.S. 47:6001  
R.S. 51:1301

## Tax Base

Type	Rate	Source
General Sales Tax	2.00 %	R.S. 47:302
	1.00 %	R.S. 47:321
	.97 %	R.S. 47:331
Tourism Prom. Dist.	.03 %	Ordinance
Total	4.00 %	

The tax base consists of retail sales of tangible personal property, rental of movable property, and selected services. The tax base also includes use tax due on the cost of tangible personal property imported into this state or purchased within this state without the proper payment of sales tax.

## Types of Tax Exemptions

Louisiana sales tax exemptions are in the form of exclusions, exemptions, alternate reporting methods, credits, and refunds. Exclusions are items that have been excluded from the tax base by definition. Exemptions are items that were included in the tax base, but have been specifically exempted. Alternate reporting methods allow taxpayers to report and remit taxes in a manner different from the normally required procedure. Statutorily prescribed methods of taxation are items that have statutory methods to calculate the tax. Credits are situations when the taxpayer can deduct the credit amount from the tax due and pay only the net tax due. Refunds are the result of taxes paid initially, but for which the taxpayer may be reimbursed. All tax exemptions that are the result of Louisiana tax statutes are included in this report.

There are several statutory tax exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

## Fiscal Impact

The fiscal impact shown in this budget reflects all current statutory language and is not broken down by the various levies. It reflects the suspension of most exemptions at the rate of four percent.

Legislation to continue the suspension of most of the state sales tax exemptions through June 30, 2009, was enacted during the 2004 1st Extraordinary Session by Act 4.



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# Sales Tax

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## **Significant Changes Fiscal Year 2005-2006**

Acts 2006 1st Ex. Sess., No. 34 clarifies that the sales tax exemption for ships' supplies purchased for ships or vessels operating exclusively in foreign or interstate coastwise commerce provided under R.S. 47:305.1 is also applicable to barges and drilling ships that are operating exclusively in foreign or interstate commerce. This clarification was made because of the decision in *Mallard Bay Drilling, Inc. v. Kennedy*, 914 So. 2d 533. Effective February 23, 2006.

Acts 2006, No. 41 amends R.S. 47:301(16)(f) to provide that pharmaceuticals administered to livestock used for agricultural purposes and not included in the term tangible personal property shall be registered with the Department of Agriculture and Forestry. Legend drugs administered to livestock for agricultural purposes are not required to be registered, but those drugs that are not registered will be considered tangible personal property. Effective August 15, 2006.

Acts 2006, No. 76 changes the termination date of Louisiana Tax Free Shopping Program for foreign visitors from 2007 to 2009. Effective May 25, 2006.

## ***Exclusions***

### **1. Purchases by pari-mutuel horse racetracks**

This exclusion allows racetracks licensed by the Racing Commission to make purchases of tangible personal property, services, and leases and rentals without the payment of sales or use tax. The state imposes certain license fees, commissions, and taxes on racetracks and horse racing. The purpose of this exclusion is to remove the liability for sales tax in lieu of the special taxes imposed on licensed racetracks.

### **Legal Citation**

R.S. 4:168

### **Origin**

Acts 1968, No. 554

### **Effective Date**

July 19, 1968

### **Beneficiaries**

Horse-racing tracks licensed by the Louisiana State Racing Commission

### **Administration**

The purpose of this exclusion is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data.

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# Sales Tax

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## 2. Purchases by off-track wagering facilities

This exclusion allows off-track wagering facilities licensed by the Racing Commission to make purchases of tangible personal property, services, leases, and rentals without the payment of sales or use tax. The state imposes certain license fees, commissions, and taxes on the racetracks and horse racing. The purpose of this exclusion is to remove the liability for sales tax in lieu of the special taxes imposed on the licensed off-track wagering facilities and to extend the exclusion enjoyed by pari-mutuel racetracks to these off-track facilities.

### Legal Citation

R.S. 4:227

### Origin

Acts 1990, No. 1013

### Effective Date

July 26, 1990

### Beneficiaries

Off-track wagering facilities licensed by the Louisiana State Racing Commission

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## 3. Purchases, services, and rentals by private company working for local authority on construction or operation of sewerage or wastewater treatment facilities

The provision allows a private company with a contract to construct or operate a sewerage or wastewater treatment facility for a local governmental authority to be entitled to the same exclusions and exemptions as the governmental authority. The governmental entity has an exclusion for the purchase of tangible personal property and services and the rental/lease of tangible personal property under R.S. 47:301(8)(c). The purpose of this exclusion is to provide financial assistance to local governments through lower contract cost.

### Legal Citation

R.S. 33:4169(D)

### Origin

Acts 1982, No. 795

### Effective Date

September 10, 1982

### Related Exclusion

R.S. 47:301(8)(c)

### Beneficiaries

Private companies and local governments

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner but it is not used extensively.

### Estimated Fiscal Impact

Unable to anticipate, no data.

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# Sales Tax

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## 4. Isolated or occasional sales of tangible personal property

This exclusion allows isolated or occasional sales, other than motor vehicles, that are not sold as a part of regular business activity to be tax free. This exclusion can be claimed by both businesses and individuals. The purpose of this exclusion is to allow tax-free sales between individuals who are not in the retail business and by businesses on sales outside their normal course of business.

### Legal Citations

R.S. 47:301(1),  
R.S. 47:301(10)(c)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

The beneficiaries of this exclusion are individuals not in the business of selling and the consumers who purchase occasional-sale items. Businesses also utilize this exclusion when they sell items outside their normal business activity (example: the sale of a cash register by a department store).

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## 5. Installation charges on tangible personal property

This exclusion allows separately stated installation charges associated with the sale of tangible personal property to be tax free. The purpose of this exclusion is to eliminate the tax on installation charges.

### Legal Citation

R.S. 47:301(3)(a)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

The beneficiaries of this exclusion are individuals and businesses who purchase equipment for which an installation charge is made.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

# Sales Tax

## 6. Installation of board roads to oil-field operators

This exclusion allows installers of board roads, when dealing with oil-field operators, to separately itemize the installation charges associated with the board road and to exclude these charges from the sales tax. The purpose of this exclusion is to eliminate the tax on installation charges paid by oil-field contractors.

### Legal Citation

R.S. 47:301(3)(c)

### Origin

Acts 1983, No. 446

### Effective Date

July 3, 1983

### Beneficiaries

Oil-field contractors.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## 7. Manufacturers rebates on new motor vehicles

This exclusion allows the taxable amount of a new vehicle to be reduced by the amount of a manufacturer's rebate allocated directly to the consumer. The purpose of this exclusion is to relieve the new-car buyer of the tax on the rebate, which represent reductions in the sales price.

### Legal Citations

R.S. 47:301(3)(e) and R.S. 47:301(13)(b)

### Origin

Acts 1991, No. 350

### Effective Date

September 6, 1991

### Beneficiaries

The general public purchasing new motor vehicles where manufacturers' discounts or rebates are transferred directly to the consumer.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$20,310,600	\$20,716,800

*Note:* Prior year estimates were revised based on data obtained from the office of motor vehicles.

# Sales Tax

## 8. Manufacturers rebates paid directly to a dealer

This exclusion allows any payments made directly between the manufacturer and a third-party dealer (not the manufacturer's customer) for the manufacturer's product for the specific purpose of reducing the sales price and which actually reduces the price as stated to the consumer for the tangible personal property to be free of sales tax. The actual sales price to be paid directly by the consumer will be subject to sales tax. Manufacturers coupons used by the consumer as part payment of the "sales price" at the time of purchase and redeemed by the dealer will remain taxable. This exclusion excludes this payment from the definition of "cost price" and "sales price." The purpose of this exclusion is to clearly identify the taxable sales price being paid for tangible personal property by the consumer at the time the property is purchased.

### Legal Citations

R.S. 47:301(3)(g) and R.S. 47:301(13)(e)

### Origin

Acts 1996, No. 33

### Effective Date

July 2, 1996

### Beneficiaries

Dealers in cigarettes and their consumers of cigarettes.

### Administration

It is not known if the purpose of this exemption is being achieved in a fiscally effective manner. This exclusion is only known to apply to payments made by cigarette manufacturers who make payments directly to the cigarette retailer. Other industries may have similar transactions.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,541,500	\$2,592,300

## 9. Leases or rentals of railroad rolling stock and leases or rentals by railway companies and railroad corporations

This exclusion removes lessors/rentors of railroad rolling stock from the requirement to charge the lease/rental tax to their lessees. This exclusion still requires lessees/rentees, with the exception of railway companies or railroad corporations, to self-assess the lease/rental tax and remit the tax directly to the state. The purposes of this exclusion are to relieve the lessors/rentors of railroad rolling stock from the burden of collecting the rental tax on rolling stock and to provide relief to railway companies and railroad corporations from the lease/rental tax.

### Legal Citation

R.S. 47:301(4)(k)

### Origin

Acts 1990, No. 444

### Effective Date

September 7, 1990

### Beneficiaries

Louisiana lessors/rentors of rail rolling stock and railway companies

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate, no data.

# Sales Tax

## 10. Purchases of manufacturing machinery and equipment

The exclusions, phased in over seven years, allow manufacturing machinery and equipment to be purchased free from the state sales, use, lease, and rental tax by eligible manufacturers. The term “manufacturer” is defined as a person whose principal activity is manufacturing, and who is assigned by the Louisiana Department of Labor a North American Industry Classification code within the agricultural, forestry, fishing, and hunting Sector 11 or manufacturing Sectors 31-33, as they existed in 2002. Acts 2005, No. 471 expanded the definition of manufacturer to include those who would be assigned a NAICS code within Sector 11 or 31-33 but are not required to register with the Department of Labor for unemployment insurance and therefore do not receive such assignment. This same act also enacted a provision that allows machinery and equipment used by an industrial manufacturing plant to generate electric power for self consumption or cogeneration to be included in the definition of “machinery and equipment” for purposes of the sales tax exclusions for manufacturing and agricultural machinery and equipment. To qualify for the exclusion, the machinery and equipment must be used by the manufacturer in a plant facility and be used predominantly and directly in the actual manufacturing process.

Effective July 1, 2005, 19 percent of the price of eligible manufacturing machinery and equipment will be excluded from the state sales tax, increasing to 35 percent effective July 1, 2006 then 54 percent effective July 1, 2007.

### Legal Citation

R.S. 47:301(3)(i), (13)(k) and (28),  
R.S. 47:337.10(I), and R.S. 47:301(i)(i), (13)(k)(i),  
and (28)(a)

### Origin

Acts 2004, 1<sup>st</sup> Ex. Sess., No. 1

Amended Acts 2005, No. 471

### Effective Date

July 1, 2004

### Beneficiaries

Manufacturers that have a NAICS Sector code of 31-33 or Sector 11

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$23,743,900	\$24,218,700

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# Sales Tax

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## 11. Purchases of electric power and natural gas by paper or wood products manufacturing facilities

The provision provides a full state sales tax exemption for purchases of electric power by the paper or wood products manufacturing facilities for the period July 1, 2006, through December 31, 2008, and allows these facilities to pay the 3.3 percent tax on natural gas purchased for energy purposes only up to the purchase price of \$6.20 per MMBtu and fully exempts any amounts in excess of the \$6.20 per MMBtu price.

### Legal Citation

R.S. 47:301(3)(j) and 13(l), 302(T), 321(J) and 331(R)

### Origin

Acts 2005, 1<sup>st</sup> Ex. Sess., No. 48

### Effective Date

July 1, 2006

### Sunset Date

December 31, 2008

### Beneficiaries

Paper or wood products manufacturers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$6,371,000	\$6,498,400

## 12. Room rentals at camp and retreat facilities

This provision excludes from the tax certain room rentals at camp and retreat facilities owned and operated by nonprofit organizations exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code. The qualifying room rentals must be associated with the attendance of a function devoted to the nonprofit organization's purposes. Room rentals to persons merely purchasing lodging at the facility do not qualify for the exclusion.

Qualifying nonprofit organizations have a similar exclusion for places of amusement under R.S. 47:301(14)(b)(iv).

### Legal Citation

R.S. 47:301(6)(b)

### Origin

Acts 1998, No. 40, amended Acts 2005, No. 377

### Effective Date

August 15, 1998

### Related Exclusion

R.S. 47:301(14)(b)(iv)

### Beneficiaries

Qualifying camp and retreat facilities.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000)

# Sales Tax

## 13. Rentals or leases of certain oil-field property to be re-leased or re-rented

This exclusion allows oil-field equipment rental dealers to rent/lease certain oil-field equipment from other dealers for re-rent or re-lease, without paying a tax on the rental for re-rent or lease for re-lease. The tax is collected on the rental to the final consumer. The purpose of this exclusion is to relieve dealers from having to maintain a large inventory of rental equipment.

### Legal Citation

R.S. 47:301(7)(b)

### Origin

Acts 1966, No. 124

### Effective Date

July 27, 1966

### Beneficiaries

Oil-field equipment rental dealers.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$966,500	\$985,800

## 14. Certain transactions involving the construction or overhaul of U.S. Navy vessels

This exclusion allows all rentals/leases and sales of services involved in the construction or overhaul of U.S. Navy vessels to be free of sales tax and applies to contractors involved with the construction or overhaul of the vessel. The purpose of this exclusion is to make Louisiana shipyards competitive with other states.

### Legal Citations

R.S. 47:301(7)(c) and R.S. 301(14)(h)

### Origin

Acts 1989, No. 833

### Effective Date

September 3, 1989

### Beneficiaries

Shipyards and providers of repair services to U.S. Navy vessels

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$602,750	\$614,800



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# Sales Tax

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## **15. Rental or purchase of airplanes or airplane equipment and parts by Louisiana domiciled commuter airlines**

This exclusion allows Louisiana domiciled commuter airlines to rent/lease or purchase airplanes or airplane equipment free of general sales tax. The purpose of this exclusion is to remove the tax due on Louisiana domiciled commuter airlines.

### **Legal Citations**

R.S. 47:301(7)(d) and R.S. 47:301(10)(k)

### **Origin**

Acts 1991, No. 772

### **Effective Date**

July 1, 1991

### **Beneficiaries**

Any Louisiana based commuter airline

### **Administration**

The purpose of this exclusion is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data.

## **16. Purchases, leases, and sales of services by free hospitals**

This exclusion allows hospitals that provide free care to all patients to purchase, lease, or rent tangible personal property, or receive sales of services without paying sales tax. The purpose of this exclusion is to provide financial relief to hospitals providing free services.

### **Legal Citations**

R.S. 47:301(7)(e)

R.S. 47:301(10)(p)

R.S. 47:301(18)(c)

### **Origin**

Acts 1994, No. 6, amended by Acts 1996, No. 43

### **Effective Date**

July 1, 1994

### **Beneficiaries**

Hospitals that provide free care to all patients.

### **Administration**

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$49,000	\$49,900

# Sales Tax

## 17. Certain educational materials and equipment used for classroom instruction

This exclusion allows approved parochial and private elementary and secondary schools that comply with the court order from the Dodd Brumfield decision and Section 501(c)(3) of the Internal Revenue Code to rent/lease or purchase specific materials and equipment for classroom instruction free of sales tax. The materials and equipment are limited to books, workbooks, computers, computer software, films, videos, and audio tapes. These items must be used for classroom instruction only. This statute also excludes the sales of tangible personal property by the approved school from the sales tax, when the proceeds of such sales are used solely and exclusively to support the school. This exclusion for sales does not allow tax-free sales to students or their families by promoters or regular dealers through the use of the school name or facilities. The purpose of this exclusion is to allow financial relief to qualifying schools for classroom materials and equipment and to assist in fund-raising.

### Legal Citations

R.S. 47:301(7)(f)  
R.S. 47:301(10)(q)  
R.S. 47:301(18)(e)

### Origin

Acts 1996, No. 15; Amended Acts 1998, No. 47, Acts 2000, No.33, Acts 2003, No.141, Acts 2005, No. 357

### Effective Date

July 1, 1997

### Sunset Date

July 1, 2009

### Beneficiaries

Qualifying parochial and private elementary and secondary schools.

### Administration

It is not known if the purpose of this exemption is being achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$602,000	\$614,000

## 18. Sales and rentals to Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc.

This exclusion allows Boys State of Louisiana, Inc., and Girls State of Louisiana, Inc., to purchase and lease or rent tangible personal property without the payment of sales tax when the property is used by their educational and public service programs for youth. The purpose of this exclusion is to provide financial relief to these two organizations.

### Legal Citations

R.S. 47:301(7)(g), R.S. 47:301(10)(r), and R.S. 47:301(18)(f)

### Origin

Acts 1996, No. 20

### Effective Date

July 1, 1996

### Beneficiaries

Boys State of Louisiana, Inc., and Girls State of Louisiana, Inc.

### Administration

It is not known if the purpose of this exemption is being achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000).

# Sales Tax

## 19. Vehicle rentals for re-rent to warranty customers

This provision allows licensed motor vehicle dealers to lease or rent motor vehicles without the payment of the tax when the vehicles will be provided at no charge to their customers under the terms of the warranty agreement associated with the purchase of a motor vehicle. The provision also extends to work associated with an applicable warranty that has lapsed and the rental is provided at no charge. The purpose of this exclusion is to provide financial assistance to motor vehicle dealers.

### Legal Citation

R.S. 47:301(7)(h)

### Origin

Acts 1998, No. 49

### Effective Date

August 1, 1998

### Beneficiaries

Motor vehicle dealers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$114,500	\$116,700

## 20. Property used in the manufacture, production, or extraction of unblended diesel

This provision excludes from the definitions of the terms “lease or rental,” “sale at retail,” and “use” manufacturing machinery and equipment that is used to manufacture, produce, or extract unblended biodiesel. “Unblended biodiesel” means a fuel comprised of mono-alkylesters of long chain fatty acids derived from vegetable oils or animal fats, designated B100, and meeting the requirements of the definition provided for in D 6751 of the American Society of Testing and Materials, before such fuel is blended with a petroleum-based diesel fuel.

### Legal Citation

R.S. 47:301(7)(j), R.S. 47:301(10)(y), and R.S. 47:301(18)(k)

### Origin

Acts 2005, No. 345

### Effective Date

July 1, 2005

### Beneficiaries

Taxpayers that manufacture, produce or extract unblended biodiesel

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate.

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# Sales Tax

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## 21. Purchases by regionally accredited independent educational institutions

This exclusion allows qualifying educational institutions to purchase or rent/lease tangible personal property or receive services without the payment of general sales tax. The exclusion does not extend to sales made by the institutions. The purpose of this exclusion is to provide financial assistance to qualifying institutions.

### Legal Citation

R.S. 47:301(8)(b)

### Origin

Acts 1990, No. 1064

### Effective Date

July 1, 1990

### Beneficiaries

Independent educational institutions

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$205,000	\$209,000

## 22. Purchases by state and local governments

This exclusion allows all boards, agencies, or commissions of the state of Louisiana or any local authority within Louisiana to purchase or rent/lease tangible personal property, or receive services without being subject to general sales tax by excluding Louisiana state and local governments from the definition of person. The purpose of this exclusion is to remove governmental authorities from taxation.

### Legal Citation

R.S. 47:301(8)(c)

### Origin

Acts 1991, No. 1029

### Effective Date

September 1, 1991

### Beneficiaries

All Louisiana state and local governmental authorities

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$148,543,800	\$151,514,600

*Note:* this amount includes the total revenue loss for purchases by state and local government and sales to the U.S. Government. (See number 33, sales tax section).

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# Sales Tax

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## 23. Purchases of certain bibles, song-books, or literature by certain churches or synagogues for religious instructional classes

This exclusion removes “churches” and “synagogues” granted exemption by the United States Internal Revenue Service under Section 501(c)(3) of the United States Internal Revenue Code from the definition of “dealer” when they purchase bibles, songbooks, or literature used for religious instruction classes. The purpose of this exclusion is to allow financial relief to qualifying churches and synagogues.

### Legal Citation

R.S. 47:301(8)(d)

### Origin

Acts 1996, No. 28

### Effective Date

July 1, 1996

### Beneficiaries

Qualifying churches and synagogues

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 24. Purchases by the Society of the Little Sisters of the Poor

This provision excludes the Society of the Little Sisters of the Poor from the definition of “person.” This allows the Society to purchase tangible personal property and services and rent/lease tangible personal property without paying general sales tax. This exclusion is limited to the Society as a whole and does not extend to individual members. This exclusion does not apply to sales made by the Society. The purpose of this exclusion is to provide financial assistance to the Society of the Little Sisters of the Poor.

### Legal Citation

R.S. 47:301(8)(e)

### Origin

Acts 1998, No. 40

### Effective Date

August 15, 1998

### Beneficiaries

Society of the Little Sisters of the Poor

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

# Sales Tax

## 25. Purchases by nonprofit entities that sell donated goods

This provision allows an exclusion from sales and use taxes for purchases by nonprofit entities that sell donated goods and spend 75 percent or more of revenues on directly employing or training persons with disabilities or workplace disadvantages. Nonprofit entities must apply for an exclusion certificate annually with each exclusion certificate effective for a one-year period.

### Legal Citation

R.S. 47:301(8)(f)

### Origin

Acts 2005, No. 393

### Effective Date

July 1, 2005

### Beneficiaries

Qualifying nonprofit entities

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$350,000	\$350,000

## 26. Purchases of tangible personal property for lease or rental

This exclusion allows rental companies to purchase tangible personal property without paying the general sales tax if the property is to be used solely as rental property. The exclusion's effective dates varied based on the type of property being purchased. The purpose of this exclusion is to give dealers financial relief and to make them more competitive with dealers in neighboring states that exempt the same transactions.

### Legal Citations

R.S. 47:301(10)(a)(iii) and R.S. 47:301(18)(a)(iii)

### Origin

Acts 1990, No. 140 and No. 1030

### Effective Date

July 1, 1990

### Duplicate Provision

R.S. 47:305.36 (limited to motor vehicles, trailers, and semi-trailers)

### Beneficiaries

Louisiana rental dealers.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$5,861,400	\$5,978,600

# Sales Tax

## 27. Purchases of new research equipment by a biotechnology company

This exclusion allows biotechnology companies to purchase new research equipment without the payment of general sales tax. Biotechnology companies are defined as qualified commercial biotechnology research companies identified by the North American Industry Classification System by code numbers 541710, 325412, 325414, 334516, or 339112. The purpose of this exclusion is to provide financial assistance to biotechnology start-up companies.

### Legal Citation

R.S. 47:301(10)(a)(v)

### Origin

Acts 2002, 1<sup>st</sup> Ex. Sess., No. 3

### Effective Date

July 1, 2002

### Sunset Date

June 30, 2006

### Beneficiaries

Qualified biotechnology companies purchasing new research equipment.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Not in effect	Not in effect

## 28. Sales through coin-operated vending machines

This exclusion allows sales of tangible personal property through vending machines to be free of sales tax. This exclusion defines the sale to the dealer for resale in a vending machine to be a retail sale. The vending machine company is subject to tax on the purchase price of the property. No additional sales tax is due on the subsequent sale through the vending machine. The purpose of this exclusion is to define the taxable point of sale and to simplify the collection and reporting of the tax.

### Legal Citation

R.S. 47:301(10)(b)(i)

### Origin

Acts 1978, No. 756

### Effective Date

September 8, 1978

### Beneficiaries

Dealers who sell their product through vending machines

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$3,350,000	\$3,417,000

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# Sales Tax

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## 29. Natural gas used in the production of iron

This exclusion allows purchases of natural gas free of tax when the natural gas is used to manufacture iron using the “direct reduced iron process.” The exclusion considers the natural gas to be a material for further processing into an article of tangible personal property. The purpose of this exclusion is to provide a company or an industry an incentive to locate in Louisiana.

### Legal Citation

R.S. 47:301(10)(c)(i)(bb)

### Origin

Acts 1995, No. 284

### Effective Date

July 1, 1995

### Beneficiaries

Iron manufacturers using the “direct reduced iron process”

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effective

Unable to anticipate; no data.

## 30. Electricity for chlor-alkali manufacturing process

This exclusion allows tax-free purchases of electricity when the electricity is used in the chlor-alkali manufacturing process. The chlor-alkali manufacturers are responsible for reporting the amount of electricity used to the utility company. The purpose of this exclusion is to remove chlor-alkali manufacturers from taxation on their purchases of electricity.

### Legal Citation

R.S. 47:301(10)(c)(ii)(aa)

### Origin

Acts 1987, No. 199

### Effective Date

July 1, 1987

### Beneficiaries

Chlor-alkali manufacturers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$6,475,000	\$6,604,500



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# Sales Tax

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## 31. Sales of human-tissue transplants

This exclusion allows the tax-free sale of human tissue that is to be transplanted from one individual into another recipient individual. Human-tissue transplants are defined to include all human organs, bones, skin, cornea, blood, or blood product. The purpose of this exclusion is to allow human tissue used in transplants to be excluded from sales tax.

### Legal Citation

R.S. 47:301(10)(d)

### Origin

Acts 1987, No. 435

### Effective Date

July 9, 1987

### Beneficiaries

Transplant recipients

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000).

## 32. Sales of raw agricultural commodities

This exclusion allows the sale of raw agricultural products sold for further production of crops or animals for market to be free of general sales tax. This exclusion includes feed, seed, and fertilizer. Raw agricultural products are exempt as a resale item under R.S. 47:301(10)(e). The sales tax is collected on the sale of the finished product. This exclusion relieves the farmers from paying advance sales tax. The purpose of this exclusion is to clarify that raw agricultural commodities are not subject to sales tax.

### Legal Citation

R.S. 47:301(10)(e)

### Origin

Acts 1988, No. 307

### Effective Date

July 7, 1988

### Duplicate Provision

R.S. 47:305(A)(3)

### Beneficiaries

Producers of crops and livestock

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0; raw-material exclusion.

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# Sales Tax

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## 33. Sales to the United States Government and its agencies

This exclusion allows sales made directly to the government of the United States or its agencies to be excluded from tax. The Constitution of the United States forbids the same taxation. This exclusion also applies to those companies with an agency status, where title to the tangible personal property purchased transfers immediately to the government. The purpose of this exclusion is to meet the requirements of the Constitution of the United States.

### Legal Citation

R.S. 47:301(10)(g)

### Origin

Acts 1989, No. 833

### Effective Date

September 3, 1989

### Beneficiaries

The beneficiaries of this exclusion are the United States Government and their agents.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

See number 22, sales tax section.

## 34. Sales of food items by youth organizations

This exclusion allows youth organizations chartered by Congress, such as the Boy Scouts and Girl Scouts, to sell food free of sales tax. The purpose of this exclusion was to remove these sales from taxation.

### Legal Citation

R.S. 47:301(10)(h)

### Origin

Acts 1989 2<sup>nd</sup> Ex. Sess., No. 10

### Effective Date

September 8, 1989

### Duplicate Provision

R.S. 47:305.14

### Beneficiaries

Qualifying youth groups

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$169,000	\$172,300

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# Sales Tax

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## 35. Purchases of school buses by independent operators

This exclusion allows independent school bus operators to purchase school buses that are either new or less than five years old, if the buses are used exclusively in the public school system, free of general sales tax. The purpose of this exclusion is to give relief to the independent operators who must purchase their own school buses.

### Legal Citation

R.S. 47:301(10)(i)

### Origin

Acts 1990, No. 724

### Effective Date

July 1, 1990

### Beneficiaries

Independent operators who purchase their own school buses.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$395,000	\$402,900

## 36. Tangible personal property sold to food banks

This exclusion allows food banks, as defined under R.S. 9:2799, to purchase any tangible personal property, including food, free of sales tax. The purpose of this exclusion is to give qualifying food banks greater purchasing power.

### Legal Citation

R.S. 47:301(10)(j)

### Origin

Acts 1990, No. 817; Amended by Acts 1992, No. 514

### Effective Date

September 7, 1990

### Beneficiaries

Qualifying food banks

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000).

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# Sales Tax

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## 37. Pollution-control devices and systems

This exclusion allows industry to purchase pollution-control equipment free of general sales tax. The purpose of this exclusion is to encourage companies to purchase and install necessary equipment to cut industrial air, noise, groundwater, and other pollution.

### Legal Citation

R.S. 47:301(10)(l)

### Origin

Acts 1991, No. 1019

### Effective Date

September 6, 1991

### Beneficiaries

Industrial facilities that purchase pollution-control equipment

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Unable to anticipate	Unable to anticipate

## 38. Certain aircraft assembled in Louisiana with a capacity of 50 people or more

This exclusion allows aircraft manufactured or assembled in Louisiana with a capacity of 50 people or more to be sold free of general sales tax. The purpose of this exclusion is to encourage aircraft companies to locate an assembly plant or manufacturing facility within this state.

### Legal Citation

R.S. 47:301(10)(m)

### Origin

Acts 1992, No. 226

### Effective Date

August 21, 1992

### Beneficiaries

The beneficiaries of this exclusion are aircraft manufacturing companies located in Louisiana. The state benefits by the increased economic activity.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data

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# Sales Tax

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## 39. Pelletized paper waste used in a permitted boiler

This exclusion allows purchases of pelletized paper waste for the exclusive use as combustible fuel by an electric utility or in an industrial manufacturing, processing, compounding, reuse, or production process, including the generation of electricity or process steam to be made free of the general sales tax. The purpose of this exclusion is to encourage the use of pelletized paper waste in boilers.

### Legal Citation

R.S. 47:301(10)(n)

### Origin

Acts 1992, No. 926

### Effective Date

July 1, 1993

### Beneficiaries

Industries that convert boiler equipment to use pelletized paper waste as fuel.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## 40. Purchases of equipment by bona fide volunteer and public fire departments

This exclusion allows bona fide volunteer and public fire departments to purchase equipment used in fire fighting without the payment of general sales tax. Public fire departments are currently excluded from taxation under the governmental exclusion on all purchases, including non fire-fighting equipment. In addition, many fire departments named “volunteer” are actually fire protection districts and excluded from taxation under the governmental exclusions.

### Legal Citation

R.S. 47:301(10)(o)

### Origin

Acts 1992, No. 926; amended by Acts 1998, No. 37

### Effective Date

July 1, 1992

### Beneficiaries

Bona fide volunteer and public fire departments.

### Administration

The purpose of this exclusion was achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$181,000	\$184,600

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# Sales Tax

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## 41. Sales of telephone directories by advertising companies

This exclusion allows advertising companies that are not affiliated with telephone service providers to transfer title or possession of telephone directories free from the state sales or use tax if the telephone directories will be distributed free of charge to the recipients.

### Legal Citation

R.S. 47:301(10)(t)

### Origin

Acts 2002, No. 58

### Effective Date

June 25, 2002

### Beneficiaries

Advertising companies distributing telephone directories

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$42,000	\$42,000

## 42. Sales of cellular telephones and electronic accessories

This exclusion from state and local sales and use tax applies to the withdrawal, use, distribution, consumption, storage, donation, or disposition of cellular, PCS, or wireless telephones when provided in conjunction with the sale of a cellular service contract. The term “sales price” means and includes the greater of the amount of money actually received by the dealer from the purchaser for each such telephone, or 25 percent of the cost of the telephone to the dealer, but does not include any amount received by the dealer from the purchaser for providing mobile telecommunications services or any commissions, fees, rebates, or other amounts received by the dealer from any source other than the purchaser as a result of or in connection with the sale of the telephone.

### Legal Citation

R.S. 47:301(10)(v), R.S. 47:301(13)(g) and (h), and R.S. 47:301(18)(i)

### Origin

Acts 2002, No. 85

### Effective Date

June 28, 2002

### Beneficiaries

Cellular, PCS, or wireless telephone service providers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

This exclusion is not currently in effect.

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# Sales Tax

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## 43. Purchases of fuel or gas by residential consumers

This exclusion allows the tax-free purchase of any fuel or gas, including butane and propane, by the consumer for residential use. The purpose of this exclusion is to provide financial assistance to consumers.

### Legal Citation

R.S. 47:301(10)(x)

### Origin

Acts 2004, 1<sup>st</sup> Extraordinary Session, No. 8

### Effective Date

July 1, 2004

### Beneficiaries

Residential consumers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

See number 160, sales tax section

## 44. Purchases by a private postsecondary academic degree-granting institution

This provision excludes from the terms “retail sale” or “sale at retail” and “use” the purchase, importation, storage, distribution, or exportation of, or exercise of any right or power over, textbooks and course-related software by a private postsecondary academic degree granting institution, accredited by a national or regional commission that is recognized by the United States Department of Education, is licensed by the Board of Regents, has its main location within this state, and offers only online instruction. These exclusions apply if the textbooks and course-related software are physically outside of this state when purchased from a vendor outside of this state and then imported into this state, the first student use of the textbooks and course-related software occurs outside of this state, and the textbooks and course-related software are provided to the student free of charge.

### Legal Citation

R.S. 47:301(10)(z) and R.S. 47:301(18)(n)

### Origin

Acts 2005, No. 457

### Effective Date

July 11, 2005

### Beneficiaries

Students attending a private postsecondary academic institution which offers only online instruction

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$56,000	\$56,000

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# Sales Tax

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## 45. Alternate substance used as a fuel

This provision allows sales tax exclusions from the definitions of “sale at retail” and “use” for alternative substances used as fuels by certain manufacturers. Alternative substances are defined as any substance other than oil and natural gas and any product of oil or natural gas, specifically including petroleum coke, landfill gas, reclaimed or waste oil, unblended biodiesel, and tire-derived fuel, and specifically excluding coal, lignite, refinery gas, nuclear fuel, and electricity. Manufacturers who are eligible to claim these exclusions are those who are assigned by the Louisiana Department of Labor codes within the North American Industrial Classification System (NAICS) in the agricultural, forestry, fishing, or hunting sector 11 or manufacturing sectors 31 to 33, as they existed in 2002.

### Legal Citation

R.S. 47:301(10)(z) and R.S. 47:301(18)(l)

### Origin

Acts 2005, No. 345

### Effective Date

July 1, 2006

### Sunset Date

June 30, 2012

### Beneficiaries

Manufacturers that use an alternate substance as fuel

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate

## 46. Donation of toys

This exclusion from state and local sales and use tax applies to nonprofit organizations that are exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code if the sole purpose of the purchasing organization is to donate toys to children and the toys are in fact, donated. The organizations are required to obtain exemption certificates from the Department of Revenue or the tax collector of the political subdivision.

### Legal Citation

R.S. 47:301(10)(z)(aa)(i) and R.S. 47:301(18)(m)

### Origin

Acts 2005, No. 293

### Effective Date

July 1, 2005

### Beneficiaries

Nonprofit organizations that purchase toys to donate to children

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$40,000	\$40,000



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# Sales Tax

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## **47. Natural gas held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities**

This provision allows a state sales and use tax exclusion for purchases of natural gas to be held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities.

### **Legal Citation**

R.S. 47:301(10)(z)(bb)

### **Origin**

Acts 2005, No. 364

### **Effective Date**

June 30, 2005

### **Beneficiaries**

Taxpayers that provide natural gas storage services or operate natural gas storage facilities

### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate

## **48. Articles traded in on tangible personal property**

This exclusion allows credits for trade-ins of like property to be free of general sales tax. The trade-in credits are excluded from the definition of sales price. The purpose of this exclusion is to effect a reduction in the taxable sales price for consumers.

### **Legal Citation**

R.S. 47:301(13)(a)

### **Origin**

Acts 1989, 2<sup>nd</sup> Ex. Sess., No. 14

### **Effective Date**

August 1, 1989

### **Beneficiaries**

Any persons or businesses that purchase tangible personal property utilizing trade-ins.

### **Administration**

The purpose of this exclusion is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data.

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# Sales Tax

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## **49. First \$50,000 of new farm equipment used in poultry production**

This exclusion allows farmers engaged in poultry production relief from the general sales tax on the first \$50,000 of equipment purchased for use in poultry production. The purpose of this exclusion is to extend to poultry farmers similar tax relief extended to other farmers under R.S. 47:305.25 [See number 116, Sales Tax Section].

### **Legal Citation**

R.S. 47:301(13)(c)

### **Origin**

Acts 1991, No. 388

### **Effective Date**

July 8, 1991

### **Beneficiaries**

Poultry farmers.

### **Administration**

The purpose of this exclusion is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

See number 116, sales tax section.

## **50. Specialty Mardi Gras items sold by certain organizations**

This exclusion allows nonprofit carnival organizations domiciled within Louisiana and participating in a parade sponsored by a carnival organization to sell specialty items to members for fund-raising purposes free from the state and local sales tax.

### **Legal Citation**

R.S. 47:301(13)(l)

### **Origin**

Acts 2005, No. 410

### **Effective Date**

August 15, 2005

### **Beneficiaries**

Nonprofit carnival organizations

### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Negligible, (less than \$10,000)

# Sales Tax

## 51. Admission to athletic or entertainment events by educational institutions and membership dues of certain nonprofit civic organizations

This exclusion allows the tax-free sale of tickets for admission to all athletic events by schools, colleges, and universities, and membership dues for access to the facilities of nonprofit civic organizations, such as the Young Men's Christian Association (YMCA), Young Women's Christian Association (YWCA), Catholic Youth Organization (CYO), etc. The purpose of this exclusion is to provide financial assistance to qualifying organizations.

### Legal Citation

R.S. 47:301(14)(b)(i)

### Origin

Acts 1948, No. 9; amended by Acts 1976, No. 481

### Effective Date

June 7, 1948

### Beneficiaries

Schools and nonprofit organizations

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,274,000	\$2,319,400

## 52. Admissions to museums

This exclusion allows tax-free admissions to museums by defining place of amusement to not include museums. The purpose of this exclusion is to provide financial assistance to museums.

### Legal Citation

R.S. 47:301(14)(b)(ii)

### Origin

Acts 1989, No. 796; amended Acts 1991, No. 172

### Effective Date

September 3, 1989

### Beneficiaries

Museums, which include planetariums, aquariums, and natural history and art museums

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,252,000	\$1,277,000

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# Sales Tax

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## 53. Admission to places of amusement at camp and retreat facilities

This provision excludes from the tax certain room rentals at camp and retreat facilities owned and operated by nonprofit organizations exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code. The qualifying room rentals must be associated with the attendance of a function devoted to the nonprofit organization's purposes. Room rentals to persons merely purchasing lodging at the facility do not qualify for the exclusion.

Qualifying nonprofit organizations have a similar exclusion for places of amusement under R.S. 47:301(14)(b)(iv).

### Legal Citation

R.S. 47:301(14)(b)(iv)

### Origin

Acts 1998, No. 40

### Effective Date

August 15, 1998

### Related Exclusion

R.S. 47:301(6)(b)

### Beneficiaries

Qualifying camp and retreat facilities

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000).

## 54. Repair services performed in Louisiana when the repaired property is exported

This exclusion allows Louisiana dealers to repair tangible personal property from other states tax-free, if the property is delivered back to the other state by the Louisiana dealer or by common carrier. The purpose of this exclusion is to allow Louisiana dealers to be competitive with dealers in neighboring states.

### Legal Citation

R.S. 47:301(14)(g)(i)(bb)

### Origin

Acts 1977, 1<sup>st</sup> Ex. Sess., No. 17

### Effective Date

July 1, 1978

### Beneficiaries

Louisiana repair shops located near the boundaries of the neighboring states

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$5,890,200	\$6,008,000

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# Sales Tax

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## 55. Interstate telecommunications services purchased by defined call centers

This exemption allows defined call centers to purchase interstate telecommunication services free from the general sales tax for the period April 1, 2001, through June 30, 2003. Effective July 1, 2003 call centers will be subject to the telecommunications tax for interstate communication services, with a limitation of \$25,000 per year for “direct pay” holders. This exemption will not apply to call centers purchasing mobile telecommunication services.

The purpose of this exclusion is to prohibit the taxation of interstate telecommunication services when purchased by a defined call center.

### Legal Citation

R.S. 47:301(14)(i)(ii)(cc)

### Origin

Acts 2000, No. 22; amended by Acts 2001, No. 1175

### Effective Date

April 1, 2001

### Beneficiaries

Defined Call Centers.

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$8,440,100	\$8,608,900

## 56. Telecommunication services through coin-operated telephones

This exclusion allows communication through coin-operated telephones to be excluded from the telecommunication tax under general sales tax. The charges for the use of coin-operated telephones are excluded from the definition of telecommunication services. The telecommunication tax is only assessed at a general sales tax rate of three percent. The purpose of this exclusion is to prohibit the taxation of coin-operated telephone calls.

### Legal Citation

R.S. 47:301(14)(i) (iii)(aa)

### Origin

Acts 1990, No. 388

### Effective Date

August 1, 1990

### Beneficiaries

People who use coin-operated telephones

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

# Sales Tax

## 57. Miscellaneous telecommunications services

This exclusion allows charges for certain taxes and services for resale to be excluded from the definition of telecommunication services and state sales tax. The telecommunication tax is assessed at a rate of three percent. The purpose of this exclusion is to define what charges for telecommunications are not subject to tax.

### Legal Citation

R.S. 7:301(14)(i)(iii)(bb) and  
R.S. 7:301(14)(i)(iii)(dd)

### Origin

Acts 1990, No. 388; amended by Acts 1998, No. 58;  
Acts 2001, No. 1175

### Effective Date

August 1, 1990

### Beneficiaries

All persons or companies using telecommunication services

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## 58. Coin bullion with a value of \$1,000 or more

This exclusion allows transactions involving gold, silver, or other numismatic coin with a total value over \$1,000 to be free of general sales tax. The purpose of this exclusion is to provide for tax-free sales of monetized bullion.

### Legal Citation

R.S. 47:301(16)(b)(ii)

### Origin

Acts 1991, No. 292

### Effective Date

July 1, 1991

### Beneficiaries

Dealers and purchasers of gold bullion

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$216,000	\$220,300

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# Sales Tax

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## 59. Certain geophysical survey information and data analyses

This exclusion allows geophysical information and data provided under a restricted-use agreement to be free of sales tax. This exclusion excludes these transactions from the definition of tangible personal property. These transactions do not constitute an exchange of tangible personal property and are not subject to tax. The purpose of this exclusion is to clarify that tax is not due on geophysical surveys.

### Legal Citation

R.S. 47:301(16)(b)(iii)

### Origin

Acts 1988, No. 355

### Effective Date

July 7, 1988

### Beneficiaries

Oil exploration and geophysical survey companies

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0; not taxable.

## 60. Work product of certain professionals

This provision excludes the work product of licensed or regulated professionals under Title 37. The work products of these professionals that are written on paper, stored on magnetic or optical media, or transmitted by electronic device, such as tax returns and wills, that is created in the normal course of business is excluded from the definition of tangible personal property. This exclusion specifically does not apply to work products that consist of the creation, modification, updating, or licensing of computer software. The taxing authorities of the state and local governments have not attempted to tax the work product addressed in this exclusion. The purpose of this exclusion is to ensure that governmental entities do not attempt to tax the work product of Title 37 professionals.

### Legal Citation

R.S. 47:301(16)(e)

### Origin

Acts 1998, No. 46

### Effective Date

June 24, 1998

### Beneficiaries

Professionals under Title 37

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Impact

\$0; nontaxable service.

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# Sales Tax

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## 61. Pharmaceuticals administered to livestock for agricultural purposes

This exclusion allows pharmaceuticals to be sold or purchased free from sales tax when administered to livestock that are used for agricultural purposes. Pharmaceuticals must be registered with the Louisiana Department of Agriculture and Forestry to qualify. This exclusion duplicates provisions of other exclusions and exemptions.

### Legal Citation

R.S. 47:301(16)(f)

### Origin

Acts 2000, No. 33

### Effective Date

July 1, 2000

### Beneficiaries

Livestock farmers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (Less than \$10,000).

## 62. Used manufactured homes and 54 percent of cost of new manufactured homes

This exclusion provides that used manufactured homes and 54 percent of the cost of new manufactured homes can be purchased free from sales tax. A “manufactured home” means a structure as defined in Section 5402 of Title 42 of the United States Code.

### Legal Citation

R.S. 47:301(16)(g)

### Origin

Acts 2000, No. 30; amended by Acts 2001, No. 1212

### Effective Date

July 1, 2001

### Beneficiaries

Individuals that purchase new and used manufactured homes

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$5,617,100	\$5,729,400



# Sales Tax

## 63. Purchases of certain custom computer software

This exclusion, phased in over four-years, excludes custom computer software from the definition of tangible personal property. The percentage excluded from the cost price of custom software is 25 percent in the first year, increasing by 25 percent each fiscal year until fully exempt on June 30, 2005. In order to be considered “custom computer software,” the computer software must require preparation, creation, adaptation, or modification by the vendor in order to be used in a specific work environment or to perform a specific function for the user.

### Legal Citation

R.S. 47:301(16)(h), (22) and (23)

### Origin

Acts 2002, 1<sup>st</sup> Ex. Sess., No. 7

### Effective Date

July 1, 2002

### Beneficiaries

Dealers and consumers of custom computer software

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$400,300	\$408,300

## 64. Certain digital television and digital radio conversion equipment

This exclusion allows individual taxpayers who hold a Federal Communications Commission license issued pursuant to 47 CFR Part 73, to purchase digital television and digital radio conversion equipment free from the general sales and use tax. Acts 2002, No. 61 specifically defines the items that qualify for the exclusion and provides that the exclusion only applies to the first purchase of each enumerated item. The Act also allows for a retroactive application of the exclusion on purchases of qualifying equipment purchased after January 1, 1999.

When enacted, the exclusion for purchases made by taxpayers holding Federal Communications Commission radio broadcast licenses issued pursuant to 47 CFR Part 73 did not apply until such time as the Federal Communications Commission mandated a radio conversion to digital broadcasting. Acts 2005, No. 243 repealed the restriction thus enabling those taxpayers to claim the exclusion on the first purchase of qualifying items.

### Legal Citation

R.S. 47:301(16)(i)

### Origin

Acts 2002, No. 61

### Effective Date

June 25, 2002

### Sunset Date

When the Federal Communications Commission issued an order mandating license holders, issued pursuant to 47 CFR Part 73 to discontinue broadcasting their analog signal.

### Beneficiaries

Taxpayers mandated by FCC to convert to digital broadcasting

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$841,500	\$858,300

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# Sales Tax

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## 65. Materials used directly in the collection of blood

This exclusion allows nonprofit blood banks and blood collection centers to purchase materials used directly in the collection, separation, treatment, testing, and storage of blood free from the general sales tax.

### Legal Citation

R.S. 47:301(16)(j)

### Origin

Acts 2002, No. 70

### Effective Date

July 1, 2002

### Beneficiaries

Nonprofit blood banks and blood collection centers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$624,000	\$636,400

## 66. Apheresis kits and leuko reduction filters

This exclusion allows nonprofit blood banks and blood collection centers to purchase apheresis kits and leuko reduction filters free from the general sales tax.

### Legal Citation

R.S. 47:301(16)(k)

### Origin

Acts 2002, No. 71

### Effective Date

July 1, 2002

### Beneficiaries

Nonprofit blood banks and blood collection centers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$182,000	\$185,600

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# Sales Tax

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## **67. Other constructions permanently attached to the ground**

This exclusion alters for state and local sales and use tax administration purposes only, the Louisiana Civil Code classification of “other constructions” as movable property when there is no unity of ownership between the other constructions and the lands on which they are located. Effective March 25, 2004, “other constructions” will be treated as immovable property when permanently attached to the land, regardless of the ownership of the land for sales and use tax administration purposes only. Persons constructing, selling, leasing, renting, or repairing “other constructions” that are permanently attached to the ground must treat those constructions as any other immovable property. Sales or use tax will be owed on their acquisition prices of materials that they acquire for the construction of or for providing repairs to property.

### **Legal Citation**

R.S. 47:301(16)(l)

### **Origin**

Acts 2004, 1<sup>st</sup> Ex. Sess., No. 6

### **Effective Date**

March 25, 2004

### **Beneficiaries**

Persons owning other constructions and not the land on which they are located

### **Administration**

The purpose of this exclusion is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data.

## **68. Donations to certain schools and food banks from resale inventory**

This exclusion allows a retailer to donate resale inventory to certain schools or food banks without having to pay use tax on the donated property. The schools must meet the definition in R.S. 17:326 or be a school of higher education. The food banks must meet the definition under R.S. 9:2799(B). The purpose of this exclusion is to encourage the donation of resale inventory to certain schools and Food Banks.

### **Legal Citation**

R.S. 47:301(18)(a)(i)

### **Origin**

Acts 1987, No. 326; amended by Acts 1998, No. 22; Acts 2000, No. 44

### **Effective Date**

July 1, 1987

### **Beneficiaries**

Retailers that donate to schools and food banks and the schools and food banks that receive the donations

### **Administration**

The purpose of this exclusion is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data.

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# Sales Tax

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## 69. Use tax on residue or byproducts consumed by the producer

This exclusion excludes from the definition of “use” any residue or by-product created as part of a manufacturing/refining process, except refinery gas, which is used by the producer of the property. The use tax value of refinery gas is under R.S. 47:301(f). Sales of refinery gas are subject to tax under R.S. 47:301(13)(d).

### Legal Citation

R.S. 47:301(18)(d)(ii)

### Origin

Acts 1996, No. 29; amended Acts 2005, No. 458

### Effective Date

July 2, 1996

### Beneficiaries

Manufacturers or refineries of refinery gas and byproducts that are produced as part of their process

### Administration

It is not known if the purpose of this exemption is being achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## 70. Advertising services

This exclusion allows advertising services by an advertising agency to be free from state and local sales or use tax. This exclusion applies to advertising services and to tangible personal property sold if advertising services constitute a major part of the tangible personal property produced. It does not apply to the transfer of mass-produced advertising items by an advertising business that involves furnishing minimal services by the advertising business. Pure advertising services were never considered to be taxable. The purpose of this exclusion was to clarify the taxability of advertising services and the property transferred to clients.

### Legal Citation

R.S. 47:302(D)

### Origin

Acts 1987, No. 869

### Effective Date

January 1, 1982

### Beneficiaries

Advertising agencies and their customers

### Administration

The purpose of this exclusion is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0; nontaxable service.

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# Sales Tax

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## ***Exemptions***

### **71. Purchases by nonprofit electric cooperatives**

This exemption allows nonprofit electric cooperatives to purchase tangible property without the payment of sales tax. The purpose of this exemption is to assist in providing electrical-utility service to rural areas, since investor-owned utility companies are not allowed a comparable exemption.

#### **Legal Citation**

R.S. 12:425

#### **Origin**

Acts 1940, No. 266; amended by Acts 1968, No. 105

#### **Effective Date**

July 21, 1940

#### **Beneficiaries**

Rural electric cooperatives

#### **Administration**

The exemption has caused problems when the cooperatives tried to pass the exemption through to construction contractors using agency agreements. This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

### **72. Purchases by a public trust**

This exemption allows bulk purchases of materials, supplies, vehicles, and equipment by a public trust free of general sales tax. The purchases must be made on behalf of the public trust. The purpose of this exemption is to provide assistance to public entities.

#### **Legal Citation**

R.S. 38:2212.4

#### **Origin**

Acts 1989, No. 780 (Redesignated from R.S. 38:2212.3 to R.S. 38:2212.4 pursuant to Acts 1999 No. 768.)

#### **Effective Date**

July 9, 1989

#### **Beneficiaries**

Public trusts

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

\$0, resale to government entities.

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# Sales Tax

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## 73. Sales by state-owned domed stadiums and baseball facilities

This exemption allows tax-free sales to be made within state-owned domed stadiums with a seating capacity of at least 70,000 or any open baseball site that has a seating capacity of at least 10,000 and has a professional sports franchise that participates in Class Triple A professional baseball. This exemption covers sales of souvenirs and refreshments, parking fees, and guided tours. This exemption does not extend to sales of tangible personal property through trade shows or similar events. The purpose of this exemption is to provide financial assistance to qualifying stadiums.

### Legal Citation

R.S. 39:467

### Origin

Acts 1985, No. 2, amended by Acts 2005, No. 391

### Effective Date

May 23, 1985

### Beneficiaries

Certain state-owned domed stadiums and baseball sites and the vendors operating within them

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$124,000	\$126,400

## 74. Sales by certain publicly-owned facilities

This exemption allows tax-free sales by certain publicly-owned facilities. This exemption applies to any qualified facility owned by any state or local subdivision. In order to qualify, the local taxing authorities must provide a similar exemption from all local sales taxes. The exemption covers sales of souvenirs and refreshments, parking fees, and guided tours. The exemption does not extend to sales of tangible personal property through trade shows or similar events. The purpose of this exemption is to provide financial assistance to qualifying facilities.

### Legal Citation

R.S. 39:468

### Origin

Acts 1985, No. 2

### Effective Date

May 23, 1985

### Beneficiaries

Certain publicly-owned facilities and the vendors operating within them

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

# Sales Tax

## 75. Sales of farm products directly from the farm

This exemption allows the tax-free sale of livestock, poultry, and other farm products if sold directly by the producer. This exemption includes sales by farmers, livestock producers, nurserymen, and other producers of farm products. Most sales by qualified producers are to wholesalers, but some producers sell their products directly to the consumer. The purpose of this exemption is to relieve the producer of the burden for charging and remitting sales tax.

### Legal Citation

R.S. 47:305(A)(1)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

Producers of farm products

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$330,000	\$336,600

## 76. Racehorses claimed at races in Louisiana

This exemption allows the tax-free sale of racehorses entered in races and claimed (sold) at any meet in Louisiana, or sold through any public sale sponsored by any breeders, registry association, or livestock auction market. The purpose of this exemption is to provide financial assistance to the breeders association, registry associations, racetracks, and public sales of racehorses.

### Legal Citation

R.S. 47:305(A)(2)

### Origin

Acts 1979, No. 796

### Effective Date

September 7, 1979

### Beneficiaries

Racetracks and breeding and registry associations

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

# Sales Tax

## 77. Feed and feed additives for animals held for business purposes

This exemption allows tax-free sales of feed and feed additives for the purpose of sustaining animals primarily for commercial, business, or agricultural use. The exemption does not apply to food for pets or hunting dogs. The purpose of this exemption is to provide financial relief from the use tax imposed on feed for animals held for business purposes.

### Legal Citation

R.S. 47:305(A)(4)

### Origin

Acts 1986, No. 677

### Effective Date

August 30, 1986

### Beneficiaries

Persons or companies that feed animals for commercial, business, or agricultural use

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 78. Materials used in the production or harvesting of crawfish

This exemption allows tax-free sales of materials, supplies, equipment, fuel, bait, and related items, other than vessels, when used in the production or harvesting of crawfish. This exemption is not limited to commercial farmers. The exemption includes a good faith clause that requires the vendor to use due care when accepting this exemption certificate. The purpose of this exemption is to provide financial assistance to crawfish farmers.

### Legal Citation

R.S. 47:305(A)(5)

### Origin

Acts 1987, No. 364

### Effective Date

September 1, 1987

### Beneficiaries

Producers and harvesters of crawfish

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended



# Sales Tax

## 79. Materials used in the production or harvesting of catfish

This exemption allows tax-free sales of materials, supplies, equipment, fuel, bait, and related items, other than vessels, when used in the production or harvesting of catfish. This exemption is not limited to commercial farmers. The exemption includes a good faith clause that requires the vendor to use due care when accepting this exemption certificate. The purpose of this exemption is to provide financial assistance to catfish farmers.

### Legal Citation

R.S. 47:305(A)(6)

### Origin

Acts 1988, No. 948

### Effective Date

September 1, 1988

### Beneficiaries

Producers and harvesters of catfish

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 80. Farm products produced and used by farmers

This exemption allows farmers and their families to consume the products, grown primarily to be sold, without paying a use tax. The exemption applies to livestock, poultry, and agricultural products. The purpose of this exemption is to provide financial assistance to farmers.

### Legal Citation

R.S. 47:305(B)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

Farmers and their families

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$81,000	\$82,600

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# Sales Tax

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## 81. Sales of gasoline

This exemption allows the sale of gasoline to be exempt when sold in Louisiana. La. Const. art. VII, §27 extends an exclusion for gasoline sold that has been subject to a Louisiana road use tax [See number 154, Sales Tax Section]. This exemption exempts gasoline sold when the road use tax has not been levied. The purpose of this exemption is to reduce the tax due by consumers.

### Legal Citation

R.S. 47:305(D)(1)(a)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

Consumers of gasoline for off-road use

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 82. Sales of steam

This exemption allows the tax-free sale of steam. The purpose of this exemption is to provide tax relief to industrial users of steam.

### Legal Citation

R.S. 47:305(D)(1)(b)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

Industrial users of steam

### Administration

This exemption has been suspended at the rate of 3.8 percent for the period 7/1/04 – 6/30/09.

### Estimated Fiscal Effect

See number 84, Sales tax section.

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# Sales Tax

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## 83. Sales of water

This exemption allows the tax-free sale of water sold other than in containers. The purpose of this exemption is to benefit the non-residential users of water utility services.

### Legal Citation

R.S. 47:305(D)(1)(c)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

Nonresidential users of water utility services

### Administration

This exemption has been suspended at the rate of 3.8 percent for the period 7/1/04 – 6/30/09.

### Estimated Fiscal Effect

See number 84, Sales tax section.

## 84. Sales of electric power or energy

This exemption allows the tax free sale of electric power or energy and any materials or energy sources used to fuel the generation of electric power for resale or used by an industrial manufacturing plant for self-consumption or cogeneration. As the sale of electricity for residential use is constitutionally protected, this exemption benefits the non-residential users of electrical utility services.

### Legal Citation

R.S. 47:305(D)(1)(d)

### Origin

Acts 1948, No. 9; amended by Acts 1980, No. 159, Acts 1984, No. 183

### Effective Date

June 7, 1948

### Beneficiaries

Nonresidential users of electrical utility services and industrial manufacturing plants that generate their own electricity

### Administration

This exemption has been suspended at the rate of 3.8 percent for the period 7/1/04 – 12/31/05 and at the rate of 3.3 percent for the period 1/1/06 – 6/30/09.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$46,000,000	\$46,900,000

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# Sales Tax

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## 85. Sales of newspapers

This exemption allows the tax-free sale of newspapers. As a result of the court case *Arkansas vs. Arkansas Writers* 481 U.S. 221 (U.S. Ark. Apr. 22, 1987)(No. 85-1370), the definition of newspapers has been expanded to include general information publications with second-class mailing privileges, which includes various magazines. The purpose of this exemption is to benefit the consumers of newspapers.

### Legal Citation

R.S. 47:305(D)(1)(e)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

Consumers who purchase newspapers and magazines

### Administration

The question of what may be included in the definition of newspapers has been a recurring problem. The possibility of infringing on the freedom of the press has served to increase the items eligible for this exemption. This exemption is suspended and is taxable at four percent through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 86. Sales of fertilizers and containers to farmers

This exemption allows tax-free sales of fertilizers and containers for farm products if sold directly to the commercial farmer. Fertilizers and containers are exempt as a resale item under R.S. 47:301(10)(a). The purpose of this exemption is to clarify that fertilizers and containers are not taxable as a raw material.

### Legal Citation

R.S. 47:305(D)(1)(f)

### Origin

Acts 1948, No. 9

### Effective Date

June 7, 1948

### Beneficiaries

Commercial farmers

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0, raw material.

# Sales Tax

## 87. Sales of natural gas

This exemption allows tax-free sales of natural gas. The purpose of this exemption is to provide financial assistance to nonresidential consumers of natural gas.

### Legal Citation

R.S. 47:305(D)(1)(g)

### Origin

Acts 1948, No. 9; amended by Acts 1985, No. 258, Acts 1990, Act 476

### Effective Date

June 7, 1948

### Beneficiaries

Nonresidential consumers of natural gas

### Administration

This exemption has been suspended at the rate of 3.8 percent for the period 7/1/04 – 12/31/05 and at the rate of 3.3 percent for the period 1/1/06 – 6/30/09.

### Estimated Fiscal Effect

See number 84, Sales tax section.

## 88. Energy sources used as boiler fuel, except refinery gas

This provision allows an exemption for all energy sources to be used as boiler fuel, except refinery gas. The use of residual or byproducts created or derived from the processing of a raw material would be excluded from the sales tax only when used by the producer. The purpose of this exemption is to provide a benefit to industries utilizing boilers in their operations.

### Legal Citation

R.S. 47:305(D)(1)(h)

### Origin

Acts 1973, Ex. Sess., No. 13; Amended by Acts 1996, No. 29; Acts 1998, No. 21; Acts 2000, No. 28; Acts 2002, No. 4

### Effective Date

January 1, 1974

### Comparable Provision

R.S.47:301(18)(d)(ii)

### Beneficiaries

Any business that uses an energy source in a boiler fuel, except residual or byproducts or refinery gas

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

# Sales Tax

## 89. Trucks, automobiles, and new aircraft removed from inventory for use as demonstrators

This exemption allows new and used automobile and new aircraft dealers to remove trucks, automobiles or aircraft from inventory for demonstration purposes without being subject to the general sales tax. Demonstrator units are required to be on the dealers' premises during regular business hours to qualify for the exemption. The purpose of this exemption is to provide financial assistance to truck, automobile, and aircraft dealers.

### Legal Citation

R.S. 47:305(D)(1)(i)

### Origin

Acts 1962, No. 182; amended by Acts 1974, No. 186; Acts 1987, No. 847

### Effective Date

August 1, 1962

### Beneficiaries

Truck, automobile, and aircraft dealers

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 90. Drugs prescribed by physicians or dentists

This exemption allows drugs prescribed by a physician or dentist and drugs that are dispensed to patients by hospitals under orders of the physician to be purchased free from sales tax. Drugs as defined in R.S. 47:301(20) include all pharmaceuticals and medical devices which are prescribed for use in the treatment of any medical disease. On November 5, 2002, voters approved a constitutional amendment that prohibits the taxation of prescription drugs. The purpose of this prohibition is to provide financial assistance to consumers.

### Legal Citation

R.S. 47:305(D)(1)(j)

Drugs prescribed by physicians or dentists

R.S. 47:305(D)(1)(k)

Orthotic and prosthetic, wheelchairs and wheelchair lifts, prescribed by a physician or licensed chiropractor

R.S. 47:305(D)(1)(m)

Patient aids prescribed by a physician or licensed chiropractor

R.S. 47:305(D)(1)(l)

Ostomy, colostomy, and ileostomy devices and equipment

R.S. 47:305(D)(1)(s)

Patient medical devices used in the treatment of a disease prescribed by a physician

R.S. 47:305(D)(1)(t)

Dental orthotic and prosthetic devices, prostheses, and restorative materials

R.S. 47:305(G)

Kidney dialysis equipment and supply purchases or rentals

R.S. 47:305.2

Insulin

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# Sales Tax

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**Origin**

Various legislation since 1973

**Effective Date**

1974 and subsequent years

**Beneficiaries**

Individuals who purchase prescription drugs and hospitals

**Administration**

The purpose of this prohibition is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$220,904,900	\$225,322,900

**91. Adaptive driving equipment and motor vehicle modification**

This provision allows for the tax-free purchase of adaptive driving equipment and modifications to motor vehicles when prescribed by a physician, a licensed chiropractor, or a driver rehabilitation specialist licensed by the state. The purpose of this exemption is to provide financial assistance to persons requiring special driving equipment.

**Legal Citation**

R.S. 47:305(D)(1)(u)

**Origin**

Acts 1998, No. 37

**Effective Date**

June 24, 1998

**Beneficiaries**

Persons requiring specialized driving equipment.

**Administration**

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

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# Sales Tax

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## 92. Sales of food by certain institutions

This exemption allows tax-free sales of food to staff and students of educational institutions, the staff and patients of hospitals and mental institutions and boarders in rooming houses, and similar institutions if the facility does not serve food to the general public and the meals are consumed on the premises. The purpose of this exemption is to provide financial relief to the staff and patients/boarders of certain institutions.

### Legal Citations

R.S. 47:305(D)(2)

### Origin

Acts 1973 Ex. Sess., No. 13

### Effective Date

January 1, 1974

### Beneficiaries

Certain Institutions

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 93. Fees paid by radio and television broadcasters for the rights to broadcast film, video, and tapes

This exemption allows the tax-free sale of the rights to broadcast copyrighted material. The purpose of this exemption is to provide financial assistance to broadcasters.

### Legal Citation

R.S. 47:305(F)

### Origin

Acts 1972, No. 234

### Effective Date

July 26, 1972

### Beneficiaries

Radio and television broadcasters

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended



# Sales Tax

## 94. Repairs and materials used on drilling rigs and equipment

This exemption allows repairs and materials used on drilling rigs and equipment used exclusively for exploration and development of minerals outside the territorial limits of the state in outer continental shelf waters to be exempt from the state sales and use tax. The exemption applies to the sale of materials, services, and supplies as well as labor used to repair, renovate or convert any drilling rig, or machinery and equipment that are component parts used exclusively for the exploration or development of minerals outside the territorial limits of the outer continental shelf waters. The definition of drilling rig and component parts are also defined under R.S. 47:305(I). The purpose of this exemption is to provide financial assistance to companies operating drilling rigs and that are engaged in exploration and development of minerals outside the territorial limits of the state in outer continental shelf waters.

### Legal Citation

R.S. 47:305(I)

### Origin

Acts 2002, No. 31

### Effective Date

July 1, 2002

### Beneficiaries

Companies that operate drilling rigs and are engaged in exploration and development of minerals outside the territorial limits of the state in outer continental shelf waters

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 95. Sales of 50-ton vessels and new component parts and sales of certain materials and services to vessels operating in interstate commerce

This exemption allows the purchase of materials, equipment, and machinery that become component parts of ships, vessels, and barges with a 50-ton and over load displacement and the sale of qualifying ships, vessels, and barges to be exempt from sales tax. Drilling ships and barges are also exempt. This exemption also allows ships or vessels operating exclusively in foreign or interstate coastwise commerce to purchase materials and supplies, repair services, and laundry services tax free. The purpose of this exemption is to make Louisiana boat builders and boat-service businesses competitive with similar companies in other states.

### Legal Citation

R.S. 47:305.1

### Origin

Acts 1959, No. 51; amended by Acts 2002, No. 40 and 41

### Effective Date

June 29, 1959

### Beneficiaries

The beneficiaries of this exemption are builders of 50-ton and over ships, vessels, and barges and the owners of ships, vessels, and barges that operate in foreign or interstate commerce. Since the courts have declared that tax laws cannot discriminate against interstate commerce, the Department has been unable to enforce the restrictive built in Louisiana language contained in the statute. Consequently, out-of-state builders have also benefited from this exemption.

### Administration

Acts 2002, No. 40 and 41 have provided a specific definition of "foreign or interstate coastwise commerce."

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$43,327,000	\$44,193,500

# Sales Tax

## 96. Sales of seeds for planting crops

This exemption allows the tax-free sales of seeds to commercial farmers. Commercial farmers include those who grow crops for sale, as well as those who grow crops for livestock, poultry, fish, and dairy animals. Seeds purchased by commercial farmers were already exempt as a raw material under R.S. 47:301(10)(a). The purpose of this exemption is to clarify that seeds are not taxable.

### Legal Citation

R.S. 47:305.3

### Origin

Acts 1960, No. 427

### Effective Date

July 27, 1960

### Duplicate Provision

R.S. 47:301(10)(e)

### Beneficiaries

Commercial farmers

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$54,000	\$55,000

## 97. Sales of admission tickets by Little Theater organizations

This exemption allows the tax-free sale of Little Theater organization tickets. The purpose of this exemption is to provide financial assistance to qualifying theater organizations.

### Legal Citation

R.S. 47:305.6

### Origin

Acts 1962, No. 226

### Effective Date

August 1, 1962

### Beneficiaries

Little Theater organizations

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

# Sales Tax

## 98. Tickets to musical performances by nonprofit musical organizations

This exemption allows the tax-free sales of tickets from Louisiana-domiciled symphony organizations for the presentation of a musical performance. This exemption does not include performances given by symphony organizations domiciled in any other state or any performance intended to yield a profit to the promoter. The purpose of this exemption is to provide financial assistance to nonprofit symphony organizations.

### Legal Citation

R.S. 47:305.7

### Origin

Acts 1963, No. 124

### Effective Date

July 1, 1963

### Beneficiaries

Louisiana nonprofit symphony organizations

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 99. Sales of pesticides for agricultural purposes

This exemption allows the tax-free sale of pesticides for agricultural purposes. This exemption covers any preparation used in the control of insects, plant life, fungus, or any pest detrimental to agricultural crops, including the control of animal pests or diseases. The purpose of this exemption is to provide financial assistance to producers of agricultural products.

### Legal Citation

R.S. 47:305.8

### Origin

Acts 1964, No. 79

### Effective Date

July 29, 1964

### Beneficiaries

Producers of agricultural products

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,813,000	\$1,849,200

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# Sales Tax

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## 100. Rentals of motion-picture film to commercial theaters

This exemption allows commercial theaters to rent motion-picture films exempt from sales tax. Most commercial theaters have changed their operations by obtaining films through joint ventures, which would not qualify for this exemption. The purpose of this exemption is to provide financial assistance to commercial theaters.

### Legal Citation

R.S. 47:305.9

### Origin

Acts 1964, No. 27

### Effective Date

July 29, 1964

### Beneficiaries

Commercial theaters

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 101. Property purchased for exclusive use outside the state

This exemption allows tangible personal property purchased within or imported into Louisiana for first use exclusively beyond the territorial limits of Louisiana to be free from the sales tax. Tangible personal property that is purchased or imported tax free and later returned to Louisiana for use for a taxable purpose will be subject to the Louisiana use tax at the time it is returned. "Use for a taxable purpose" with regards to this exemption, does not include transportation beyond the territorial limit or back, repairs, modifications or fabrications and storing for first use offshore beyond the territorial limits of any state. Charges for repairs in Louisiana to tangible personal property for use in offshore areas are taxable except those described in R.S. 47:305(I).

### Legal Citation

R.S. 47:305.10

### Origin

Acts 1964, No. 172; amended by Acts 2005, No. 457

### Effective Date

July 29, 1964

### Beneficiaries

Businesses who purchase tangible personal property within Louisiana and use the property in the offshore area

### Administration

Recent court rulings that broadly interpret what constitutes interstate, offshore, and foreign commerce make this exemption difficult to administer.

### Estimated Fiscal Effect

Unable to anticipate; no data.

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# Sales Tax

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## 102. Additional tax levy on contracts entered into prior to and within 90 days of tax levy

This exemption allows lump-sum contracts entered into within 90 days prior to a new tax levy to be exempt from the new tax levy. This exemption also allows contracts entered into within 90 days after a new tax levy is in effect to be exempt from that tax levy if the contracts involve contractual obligations undertaken prior to the effective date. The purpose of this exemption is to offer financial protection to contractors who enter into contracts based upon existing tax levies.

### Legal Citation

R.S. 47:305.11

### Origin

Acts 1970, No. 7

### Effective Date

July 29, 1970

### Beneficiaries

Lump-sum contractors

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate. This exemption is only effective after an increase in the tax rate.

## 103. Admissions to entertainment by domestic nonprofit charitable, educational, and religious organizations

This exemption allows admissions to events sponsored by domestic nonprofit charitable, educational, and religious organizations to be exempt from sales tax. The funds raised, except for necessary expenses, must be used for the purposes for which the event was organized. The purpose of this exemption is to provide financial assistance to qualifying organizations.

### Legal Citation

R.S. 47:305.13

### Origin

Acts 1971, No. 125

### Effective Date

June 28, 1971

### Beneficiaries

Domestic nonprofit groups

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

# Sales Tax

## 104. Sales of tangible personal property at or admissions to events sponsored by certain nonprofit groups

This exemption allows sales of tangible personal property at or admissions, and parking fees to certain events sponsored by nonprofit domestic, civic, educational, charitable, fraternal, or religious organizations, to be exempt from sales tax. All funds from the event, except necessary expenses, must be used for educational, charitable, religious, or historical restoration purposes. The purpose of this exemption is to provide financial assistance to qualifying organizations.

### Legal Citation

R.S. 47:305.14

### Origin

Acts 1973, No. 89; amended by Acts 1991, No. 533 and 930

### Effective Date

July 2, 1973

### Beneficiaries

Qualifying nonprofit organizations

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,856,000	\$2,913,100

## 105. Sales by thrift shops on military installations

This exemption allows sales by thrift shops located on military installations to be eligible for the exemption provided for sales at events sponsored by nonprofit domestic charitable organizations. For purposes of this exemption, the sales by the thrift shops constitute an event. The beneficiaries of this exemption are the customers of the thrift shops. The purpose of this exemption is to provide financial assistance to customers who shop at thrift shops on military bases.

### Legal Citation

R.S. 47:305.14

### Origin

Acts 1994, No. 22

### Effective Date

June 7, 1994

### Beneficiaries

Customers of thrift shops located on military installations

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000).

# Sales Tax

## 106. Sales of newspapers by religious organizations

This exemption allows religious organizations to sell newspapers without the collection of the general sales tax provided the charge for the newspaper does not exceed publication costs. The purpose of this exemption is to provide financial assistance to religious organizations. These newspapers would be eligible for the exemption under R.S. 47:305(D)(1)(e). However, that exemption has been suspended either in part or in full since July 1, 1986. By placing this exemption under a statute that has generally been protected from the suspension of exemption, the legislature has protected these sales from the general sales tax.

### Legal Citation

R.S. 47:305.14

### Origin

Acts 1994, No. 39

### Effective Date

June 7, 1994.

### Beneficiaries

Qualifying religious organizations

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$38,000	\$38,700

## 107. Sales to nonprofit literacy organizations

This exemption allows nonprofit literacy organizations that comply with the court order from the Dodd Brumfield decision and Section 501(c)(3) of the Internal Revenue Code to purchase tangible personal property and taxable services free of the general sales tax. The exemption is limited to purchases of books, workbooks, computer software, films, videos, and audio tapes. The purpose of this exemption is to provide financial assistance to qualifying organizations.

### Legal Citation

R.S. 47:305.14

### Origin

Acts 2002, No. 27

### Effective Date

July 1, 2002

### Beneficiaries

Qualifying nonprofit literacy organizations

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$53,000	\$54,000

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# Sales Tax

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## 108. Sales or purchases by blind persons operating small businesses

This exemption allows blind persons who sell or purchase tangible personal property in the operation of a small business to be exempt from sales tax. The purpose of this exemption is to relieve blind persons of the burden of collecting and reporting sales tax collections.

### Legal Citation

R.S. 47:305.15(A)

### Origin

Acts 1973, No. 61

### Effective Date

July 2, 1973

### Beneficiaries

Blind persons operating a business

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$201,000	\$205,000

## 109. Purchases by certain organizations that promote training for the blind

This exemption allows organizations that provide training for the blind and receive at least 75 percent of the organizations' funding from public funds to purchase goods and services free of the general sales tax. The purpose of this exemption is to provide financial assistance to blind organizations.

### Legal Citation

R.S. 47:305.15(B)

### Origin

Acts 1994, No. 26

### Effective Date

August 15, 1994

### Beneficiaries

Qualifying organizations for the blind

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000).



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# Sales Tax

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## **110. Cable television installation and repair services**

This exemption allows installation charges and repairs to hardware to be exempt from sales tax. This exemption was not necessary, as cable installation charges are a nontaxable service and repair services are performed on immovable equipment and are not subject to taxation. The purpose of this exemption is to clarify that cable television installation and repair services are not subject to the tax.

### **Legal Citation**

R.S. 47:305.16

### **Origin**

Acts 1974, No. 593

### **Effective Date**

July 31, 1974

### **Beneficiaries**

Television cable companies and their subscribers, if these charges were subject to tax

### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

\$0; installation charges and charges for repairs to immovable property are not taxable.

## **111. Receipts from coin-operated washing and drying machines in commercial laundromats**

This exemption allows receipts from coin-operated washing and drying machines to be exempt from sales tax if the machines are located in a commercial laundromat. The purpose of this exemption was to provide financial relief to commercial laundromats who were unable to collect sales tax rate increases from their customers. In 1996, the courts ruled that the revenue from coin-operated washing and drying machines were not subject to sales tax as a taxable service of cleaning.

### **Legal Citation**

R.S. 47:305.17

### **Origin**

Acts 1975, No. 423

### **Effective Date**

September 12, 1975

### **Beneficiaries**

Commercial coin-operated laundromats

### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

\$0; courts have ruled that these receipts are not taxable.

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# Sales Tax

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## 112. Outside gate admissions and parking fees at fairs, festivals, and expositions sponsored by nonprofit organizations

This exemption allows certain gate admissions and parking fees to fairs, festivals, and expositions sponsored by Louisiana chartered nonprofit organizations to be exempt from sales tax. This exemption does not apply to any event intended to yield a profit to the promoter or any individual contracted to provide services or equipment for the event. The purpose of this exemption is to provide financial assistance to qualifying nonprofit organizations.

### Legal Citation

R.S. 47:305.18

### Origin

Acts 1975, No. 824

### Effective Date

September 12, 1975

### Beneficiaries

Nonprofit organizations

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 113. Lease or rental of certain vessels in mineral production

This exemption allows the vessels leased or rented for use offshore beyond the territorial limits for the production of oil, gas, sulphur, and other minerals to be exempt from sales tax. This exemption applies to production companies and their service companies. The purpose of this exemption is to provide financial assistance to the mineral-production industry.

### Legal Citation

R.S. 47:305.19

### Origin

Acts 1975, No. 818

### Effective Date

September 12, 1975

### Beneficiaries

Production companies and the company providing service to them

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

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# Sales Tax

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## 114. Purchases of supplies, fuels, and repair services for boats used by commercial fishermen

This exemption allows commercial fishermen to purchase tax-free materials, supplies, repair services, and fuel for the maintenance or operation of boats. Fishermen must apply for a license with the Department of Revenue. The purpose of this exemption is to provide financial assistance to commercial fishermen.

### Legal Citation

R.S. 47:305.20

### Origin

Acts 1975, No. 811

### Effective Date

September 12, 1975

### Beneficiaries

Licensed commercial fishermen

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$2,967,000	\$3,026,300

## 115. Certain seafood-processing facilities

This exemption allows qualifying processors to purchase materials, supplies, and repair services exempt from the general sales tax. This exemption applies only to processing facilities that process seafood from vessels owned, leased, or contracted exclusively to the facility. The purpose of this exemption is to provide financial assistance to qualifying facilities.

### Legal Citation

R.S. 47:305.20

### Origin

Acts 1991, No. 896

### Effective Date

September 6, 1991

### Beneficiaries

The qualifying processing facilities

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$238,000	\$242,700

# Sales Tax

## 116. First \$50,000 of the sales price of certain rubber-tired farm equipment and attachments

This provision exempts the first \$50,000 of the sales price on qualifying farm equipment. Those items included under the original act have been protected from the suspension of exemptions. Such items include: rubber-tired farm tractors, cane harvesters, combines and cane loaders. Items later added to the exemption through amendments have been subject to the suspended rate of tax. The purpose of this exemption is to provide financial assistance to agricultural producers.

### Legal Citation

R.S. 47:305.25 (A)(1) & (2)

### Origin

Acts 1978, No. 638; amended by Acts 1979, No. 787; Acts 1982, No. 167; Acts 1985, No. 836

### Effective Date

September 8, 1978

### Beneficiaries

Producers of agricultural products

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$7,507,900	\$7,658,000

## 117. New vehicles furnished by a dealer for driver-education programs

This exemption allows new-car dealers to withdraw new vehicles from inventory for use by secondary schools, colleges, or public school boards in accredited driver-education programs without payment of the sales tax. The purpose of this exemption is to encourage new-car dealers to donate the use of vehicles to schools for driver-education programs.

### Legal Citation

R.S. 47:305.26

### Origin

Acts 1978, No. 507

### Effective Date

January 1, 1979

### Beneficiaries

Schools using the vehicles and the new-car dealers

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

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# Sales Tax

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## 118. Sales of gasohol

This exemption allows the sale of gasohol to be exempt when sold in Louisiana. The alcohol used in the gasohol must be produced, fermented, and distilled in Louisiana. La. Const. art. VII, §27 provides a sales tax exclusion for gasoline sold that has been subject to a Louisiana road use tax (See number 154, Sales Tax Section). This exemption exempts only gasohol sold where the road use tax has not been levied. The purpose of this exemption is to reduce the tax paid by consumers.

### Legal Citation

R.S. 47:305.28

### Origin

Acts 1979, No. 793

### Effective Date

September 7, 1979

### Beneficiaries

Consumers of gasohol for off-road use

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 119. Construction materials and operating supplies for certain nonprofit retirement centers

This exemption allows for the tax-free purchase of construction materials and operating supplies for certain nonprofit retirement centers owned or operated by any public trust authority or incorporated not-for-profit organization. The retirement center must serve as a multipurpose facility that offers unsupervised living units, supervised nursing-home facilities, and intermediate health care. The purpose of this exemption is to encourage a new concept in the care of the elderly.

### Legal Citation

R.S. 47:305.33

### Origin

Acts 1981, No. 876

### Effective Date

September 11, 1981

### Beneficiaries

Nonprofit multipurpose retirement centers

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

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# Sales Tax

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## 120. Sales of motor vehicles to be leased or rented by qualified lessors

This exemption allows the tax-free purchase of motor vehicles, trailers, and semi-trailers used exclusively for leases or rentals. This exemption is superseded by the exclusion provided under R.S. 47:301(10)(a)(iii) [See number 26 on page 227] enacted October 1, 1996.

### Legal Citation

R.S. 47:305.36

### Origin

Acts 1982, No. 415; amended by Acts 1984, No. 539; Acts 1985, No. 847; Acts 1991, No. 495

### Effective Date

September 10, 1982

### Duplicate Provision

R.S. 47:301(10)(a)(iii)

### Administration

This exemption has been superseded by R.S. 47:301(10)(a)(iii).

### Estimated Fiscal Effect

\$0; superseded by R.S. 47:301(10)(a)(iii).

## 121. Sales of certain fuels used for farm purposes

This exemption allows the tax-free purchase of diesel fuel, butane, propane, and other liquefied petroleum gases for farm use. The purpose of this exemption is to provide financial assistance to commercial farmers.

### Legal Citation

R.S. 47:305.37

### Origin

Acts 1982, No. 820; amended by Acts 1985, No. 511 and No. 621

### Effective Date

January 1, 1983

### Beneficiaries

Commercial farmers

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$11,261,000	\$11,486,200

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# Sales Tax

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## 122.Sales or purchases by certain sheltered workshops

This exemption allows certain sheltered workshops for the mentally retarded to sell and purchase tax free. The workshop must be used as a day developmental training center and licensed by the Department of Social Services. The purpose of this exemption is to provide financial assistance to sheltered workshops.

### Legal Citation

R.S. 47:305.38

### Origin

Acts 1982, No. 242

### Effective Date

September 10, 1982

### Beneficiaries

Qualifying sheltered workshops

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$76,000	\$77,500

## 123.Purchases of certain fuels for private residential consumption

This exemption allows the tax-free purchase of butane, propane, and other liquefied petroleum goods used for private residential cooking and cleaning purposes. The purpose of this exemption is to provide financial assistance to consumers.

### Legal Citation

R.S. 47:305.39

### Origin

Acts 1983, No. 654; amended by Acts 1985, No. 622

### Effective Date

July 1, 1984

### Beneficiaries

Residential consumers

### Administration

This exemption has been superseded by duplicate provisions as of July 1, 2004.

### Estimated Fiscal Effect

\$0, superseded by R.S. 47:301(10)(x).

# Sales Tax

## 124. Specialty Mardi Gras items purchased or sold by certain organizations

This exemption originally allowed tax-free purchases of specialty items by carnival organizations and Louisiana domiciled nonprofit organizations. Acts 2005, No. 410 amended this exemption to allow tax free sales of specialty items for use in connection with Mardi Gras activities by qualifying organizations. The purpose of this exemption is to provide financial assistance to carnival and nonprofit organizations that sponsor Mardi Gras activities.

### Legal Citation

R.S. 47:305.40

### Origin

Acts 1985, No. 439, amended by Acts 2005, No. 410

### Effective Date

September 6, 1985

### Beneficiaries

Carnival and nonprofit organizations.

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 125. Purchases and sales by Ducks Unlimited and Bass Life

This exemption allows Ducks Unlimited or Bass Life and their chapters to sell, purchase or rent items free from state and local sales tax. The purpose of this exemption is to provide financial assistance to these organizations. This provision has a related exemption under R.S. 47:305.43 which exempts certain transactions with nonprofit groups whose purpose is to conserve migratory waterfowl and fish.

### Legal Citation

R.S. 47:305.41

### Origin

Acts 1985, No. 512; amended by Acts 1998, No. 28

### Effective Date

July 12, 1985

### Beneficiaries

Ducks Unlimited and Bass Life

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended



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# Sales Tax

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## 126. Tickets to dance, drama, or performing arts presentations by certain nonprofit organizations

This exemption allows domestic nonprofit organizations that present dance, drama, or performing arts to sell tickets to performances exempt from sales tax. The purpose of this exemption is to provide financial assistance to these nonprofit organizations.

### Legal Citation

R.S. 47:305.42

### Origin

Acts 1985, No. 513

### Effective Date

July 12, 1985

### Beneficiaries

Nonprofit organizations engaged in promoting dance, drama, or performing arts

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 127. Nonprofit organizations dedicated to the conservation of fish and migratory waterfowl

This exemption allows nonprofit organizations dedicated exclusively to the conservation of fish or the migratory waterfowl of the North American Continent and to the preservation and conservation of wetland habitat of such waterfowl to sell items free from the state and local sales tax if the proceeds are used in furtherance of the organization's exempt purpose. Qualifying organizations will also be allowed to purchase items free from the state and local sales tax. The exemption will not apply to any event intended to yield a profit to the promoter or to any individual contracted to provide services or equipment for the event. The purpose of this exemption is to provide financial assistance to qualifying conservation groups. This provision has a related exemption under R.S. 47:305.41 which exempts certain transactions with Ducks Unlimited and Bass Life.

### Legal Citation

R.S. 47:305.43

### Origin

Acts 1985, No. 835; amended by Acts 1998, No. 28

### Effective Date

September 6, 1985

### Beneficiaries

Qualifying organizations dedicated to fish and migratory North American waterfowl

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

### Estimated Fiscal Effect

See number 125, Sales Tax Section.

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# Sales Tax

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## 128. Raw materials used in the printing process

This exemption allows the tax-free purchase or sale of raw materials and certain other tangible personal property used to produce printed matter. This exemption applies to qualifying items manufactured by the printer or purchased from a contractor. The purpose of this exemption is to offer financial assistance to commercial printers.

### Legal Citation

R.S. 47:305.44

### Origin

Acts 1985, No. 847

### Effective Date

July 23, 1985

### Beneficiaries

Commercial printers

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 129. Piggy-back trailers or containers and rolling stock

This exemption allows the tax-free sale or lease of piggy-back trailers or containers and rolling stock. Per diem or car-hire charges are also exempted. Railroad companies and other operators of qualifying equipment are eligible for the exemption. Rail-car leases are also covered by an exclusion under R.S. 47:301(4)(k) (See number 9, Sales Tax Section). The purpose of this exemption is to provide financial assistance to railroads and other rail-car operators and piggy-back trailers.

### Legal Citation

R.S. 47:305.45

### Origin

Acts 1986, No. 476

### Effective Date

July 1, 1986

### Beneficiaries

Railroad companies and other operators of railroad transportation equipment

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

# Sales Tax

## 130. Pharmaceutical samples distributed in Louisiana

This exemption allows pharmaceutical samples to be exempt from sales and use tax when they are distributed without charge to physicians, dentists, clinics, and hospitals. The purpose of this exemption is to provide financial assistance to drug manufacturers.

### Legal Citation

R.S. 47:305.47

### Origin

Acts 1989, No. 383

### Effective Date

June 30, 1989

### Beneficiaries

Drug manufacturers

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

## 131. Catalogs distributed in Louisiana

This exemption allows free catalogs distributed in Louisiana to be exempt from sales and use tax. Prior to the exemption, the tax was due on mail-order catalogs, but only enforceable on companies with a business situs in Louisiana. This exemption puts in-state and out-of-state companies on the same basis. The purpose of this exemption was to provide financial assistance to mail-order companies, especially those with a Louisiana presence.

### Legal Citation

R.S. 47:305.49

### Origin

Acts 1989, No. 796

### Effective Date

September 3, 1989

### Beneficiaries

Mail-order companies

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

# Sales Tax

## 132. Certain trucks and trailers used 80 percent in interstate commerce

This exemption allows the tax free purchase of trucks with a gross weight of twenty-six thousand pounds or more and to trailers if the truck and trailer are to be used at least eighty percent of the time in interstate commerce and whose activities are subject to the jurisdiction of the United States Department of Transportation. For purposes of this exemption the terms “trucks” and “trailers” shall have the meanings ascribed to the terms truck, trailer, road tractor, semi-trailer, tandem truck, tractor, and truck-tractor in R.S. 47:451. The purpose of this exemption is to provide financial assistance to the owners of trucks operating in interstate commerce.

### Legal Citation

R.S. 47:305.50(A)

### Origin

Acts 1996, No. 8; amended by Acts 1998, No. 41;  
Acts 2000, No. 27; Acts 2002, No. 2

### Effective Date

July 1, 1996

### Beneficiaries

Purchasers of large trucks and trailers used 80 percent in interstate commerce

### Administration

This exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$8,763,200	\$8,938,400

## 133. Certain contract carrier buses used 80 percent in interstate commerce

This provision allows certain contract carrier buses used 80 percent of the time in interstate commerce to be exempt from sales and use tax. The bus must meet the definition in the exemption, which requires the bus to be a commercial vehicle with a minimum capacity of 35 passengers and have a minimum gross weight of 26,000 lbs. The purpose of this exclusion is to provide financial assistance to large contract carrier buses operating in interstate commerce.

### Legal Citation

R.S.47:305.50(A)(1)(a)(ii) and (b)

### Origin

Acts 1998, No. 41; amended by Acts 2000, No. 27 and Acts 2002, No. 2

### Effective Date

June 30, 1998

### Beneficiaries

Purchasers of large contract carrier buses used 80 percent in interstate commerce

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$1,546,400	\$1,577,300

# Sales Tax

## 134. Rail rolling stock sold or leased in Louisiana

This provision allows a state and local sales and use tax exemption for rail rolling stock sold or leased in Louisiana. R.S. 47:305.50(B)(2) provides a state and local sales tax exemption for parts or services used in the fabrication, modification, or repair of rail rolling stock. Political subdivisions are authorized to provide by ordinance that the sales or use tax exemption provided by R.S. 47:305.50(B)(2) will not apply within their jurisdictions and that their sales or use taxes will be due on parts or services used in the fabrication, modification, or repair of rail rolling stock.

### Legal Citation

R.S. 47:305.50(B)(1) and (2)

### Origin

Acts 1996, No. 36; amended by Acts 1998, No. 41, Acts 2005, No. 397

### Effective Date

July 1, 1996

### Sunset Date

June 30, 1998

### Reestablished

July 1, 2005

### Beneficiaries

Taxpayers who sell or lease rail rolling stock in Louisiana and their customers

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$510,000	\$520,200

## 135. Utilities used by steelworks and blast furnaces

This provision allows utilities, including electricity, used by steelworks and blast furnaces to be exempt from sales tax. The facility must employ more than 125 full-time workers and is classified as SIC 3312 by the Standard Industrial Classification Code to qualify. The purpose of this exemption is to provide an economic incentive for a steel mill to locate in Louisiana.

### Legal Citation

R.S. 47:305.51

### Origin

Acts 1998, No. 28; amended by Acts 2001 1<sup>st</sup> Ex. Sess., No. 5; Acts 2002, No. 49; Acts 2004 1<sup>st</sup> Ex. Sess., No. 5

### Effective Date

March 27, 2001

### Sunset Date

June 30, 2007

### Beneficiaries

Any steel mill meeting the minimum requirements.

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Impact

Unable to anticipate.

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# Sales Tax

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## 136. Sickle Cell Disease Organizations

This exclusion provides a state and local sales tax exemption for nonprofit organizations that were established prior to 1975 conducting comprehensive programs on sickle cell disease which includes but is not limited to free education, free testing, free counseling, and free prescriptions, transportation, and food packages for sickle cell patients. The organizations are required to obtain exemption certificates from the Department of Revenue.

### Legal Citation

R.S. 47:305.53

### Origin

Acts 2005, No. 278

### Effective Date

July 1, 2005

### Beneficiaries

Sickle Cell disease organizations and their customers

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Negligible (less than \$10,000)

## 137. 2005 Louisiana Sales Tax Holiday

This exclusion provides for an exemption from the state sales tax during the three-day period December 16-18, 2005, on the first \$2,500 of the purchase price of most individual items of tangible personal property. The exemption applies statewide to all consumer purchases of tangible personal property, other than vehicles subject to license and title and meals furnished for consumption on the premises, provided that the property is not for use in a business, trade, or profession. For business purchases, the exemption is available for those businesses that are located in Hurricane Katrina or Hurricane Rita Federal Emergency Management Agency Individual Assistance Areas that acquire property to replace property that was damaged, destroyed or lost as a result of conditions created by the hurricanes.

### Legal Citation

R.S. 47:305.54

### Origin

Acts 2005, 1<sup>st</sup> Ex. Session No. 9

### Effective Date

December 16-18, 2005

### Beneficiaries

Individual consumers and certain businesses

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Not in effect	Not in effect

# Sales Tax

## 138. Purchase or rental of machinery and equipment to replace equipment damaged or destroyed by Hurricane Katrina or Hurricane Rita

This exemption provides that the state sales or use tax shall not apply to manufacturing machinery and equipment purchased, leased, or rented or repaired by manufacturers in the replacement of equipment damaged or destroyed by Hurricane Katrina or Hurricane Rita when the machinery and equipment is used by a manufacturer in a plant facility predominantly and directly in the actual manufacturing for agricultural purposes or the actual manufacturing process of an item of tangible personal property for ultimate sale to another.

### Legal Citation

R.S. 47:305.55

### Origin

Acts 2005, 1<sup>st</sup> Ex. Session No. 47

### Effective Date

December 6, 2005

### Sunset Date

June 30, 2007

### Beneficiaries

Manufacturers who suffered damage as a result of either Hurricane Katrina or Hurricane Rita

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$4,000,000	Not in effect

## 139. Antique airplanes held by private collectors and not used for commercial purposes

This exemption allows the tax-free purchase of antique aircraft by collectors. Many of these sales are also exempted under the isolated or occasional sale provision of R.S. 47:301(10)(c) (See number 4, Sales Tax Section). The aircraft must be manufactured at least 25 years prior to the date of purchase. The purpose of this exemption was to provide financial assistance to antique aircraft collectors.

### Legal Citation

R.S. 47:6001

### Origin

Acts 1980, No. 567

### Effective Date

September 12, 1980

### Beneficiaries

Collectors of antique aircraft

### Administration

This exemption has been suspended and the four percent suspension will continue through June 30, 2009.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
Suspended	Suspended

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# Sales Tax

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## *Alternate-reporting methods*

### **140. Certain interchangeable components; optional method to determine**

This alternate-reporting method allows importers or users of certain measurement-while-drilling equipment to store equipment in the state without paying the use tax due upon importation. Instead, taxes would be paid on 1/60 of the total material cost of all equipment stored within Louisiana each month. The purpose of this method is to offer relief from use tax on equipment stored in Louisiana, but seldom used in this state.

#### **Legal Citation**

R.S. 47:301(3)(d)

#### **Origin**

Acts 1990, No. 719

#### **Effective Date**

July 1, 1990

#### **Beneficiaries**

Companies that use certain measurement-while-drilling equipment

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$614,000	\$626,200

### **141. Helicopters leased for use in the extraction, production, or exploration for oil, gas, or other minerals**

This alternate-reporting method allows the lease or rental of certain helicopters used in the extraction, production, and exploration of oil, gas, and other minerals to be considered a sale of tangible personal property with an extended period of time allowed to remit any taxes due.

Helicopters acquired through a lease, rental, lease-purchase, or similar transaction by a company involved in the extraction, production, or exploration for oil, gas, or other mineral qualify for this method. Helicopters used by companies providing service to qualifying companies also qualify for this alternate-reporting method. Qualifying companies do not pay sales tax on lease or rental payments, but remit the tax on the sales price in equal installments over the terms of the lease, rental, or lease-purchase contract.

#### **Legal Citation**

R.S. 47:302.1

#### **Origin**

Acts 1984, No. 353

#### **Effective Date**

July 2, 1984

#### **Administration**

This provision has been superseded by the exclusion under R.S. 47:301(10)(a)(iii), effective October 1, 1996.

#### **Estimated Fiscal Effect**

\$0; (See number 26, Sales Tax Section.)



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# Sales Tax

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## **142. Cash-basis sales tax reporting and remitting for health and fitness club membership contracts**

This alternate-reporting method allows health clubs to report and remit sales taxes on a cash basis and to report the receipts net of any imputed interest or collection fees. The purpose of this alternate-reporting method is to relieve clubs from the taxes on unpaid membership contracts.

### **Legal Citation**

R.S. 47:303(F)

### **Origin**

Acts 1985, No. 661;

Amended by Acts 1987, No. 379

### **Effective Date**

September 30, 1985

### **Beneficiaries**

Health and fitness clubs

### **Administration**

The purpose of this alternate reporting method is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data.

## **143. Cash-basis reporting procedure for rental and lease transactions**

This alternative method of tax payment allows lessors of tangible personal property to report and remit sales tax due after payment is collected rather than in the period that the rental or lease occurred. The purpose of this alternate-reporting method is to relieve lessors from the taxes on unpaid rental fees.

### **Legal Citation**

R.S. 47:306(A)(2)

### **Origin**

Acts 1985, No. 867

### **Effective Date**

July 23, 1985

### **Beneficiaries**

The beneficiaries of this alternative method of tax payment are the lessors of the property. This method of tax payment allows the lessors to avoid the loss of sales taxes remitted on transactions that ultimately become bad debts.

### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data.

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# Sales Tax

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## 144. Collection from interstate and foreign transportation dealers

This alternative method of tax payment allows transportation companies operating in interstate and foreign transportation of passengers or property to remit taxes based upon the percentage of Louisiana miles to total miles. Per Acts, 2005 No. 126, "Louisiana mileage" shall not include mileage in Louisiana that is a segment or part of a stream of trade, traffic, transportation, or movement of passengers or property between a point in this state and a point located offshore beyond the territorial limits of any state. The Act also provides that a unit of transportation measurement other than mileage may be used if appropriate based on industry custom and type of transportation. Those transportation dealers registered under R.S. 47:306.1 on June 22, 2005, and who provide transportation between points in Louisiana and points offshore outside the territorial limits of any state during the sales and use tax period immediately preceding June 22, 2005 are deemed to have elected to report under these statutes and shall begin reporting in accordance with them in lieu of R.S. 47:306.1 unless the taxpayer notifies the secretary to the contrary.

### Legal Citation

R.S. 47:306.1 and R.S. 47:306.2

### Origin

Acts 1956, No. 438; amended by Acts 2005, No. 126

### Effective Date

August 1, 1956

### Beneficiaries

Interstate and foreign transportation dealers

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## *Statutorily prescribed methods of taxation*

### 145. Extended time to register mobile homes

This provision allows purchasers of mobile homes, as defined by R.S. 9:1149.2(3), to extend the time to apply for a certificate of Title from five days after delivery to the 20<sup>th</sup> day of the month following the month of delivery of the home. This allows between 20 to 50 days to apply for a title. If a mobile home is immobilized prior to registration, the mobile home is not subject to sales tax. The purpose of this provision is to allow purchasers of mobile homes more time to immobilize the mobile home.

### Legal Citation

R.S. 32:707(A)

### Origin

Acts 1997, No. 272

### Effective Date

July 1, 1997

### Beneficiaries

The beneficiaries of this provision are purchasers of mobile homes that immobilize them at the time of purchase.

### Administration

The purpose of this provision is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

Unable to anticipate; no data.

# Sales Tax

## 146. “Sales or cost price” of refinery gas

These exclusions define the valuation of refinery gas, except feedstock, either sold or produced. This value is determined for each calendar year. Sales of such property are subject to tax under R.S. 47:301(13)(d) and the use of such property by the producer is subject to the tax under R.S. 47:301(3)(f). The price of refinery gas shall be the maximum of 52¢ per MCF multiplied by a fraction the numerator of which shall be the posted price for a barrel of West Texas Intermediate Crude Oil on December 1 of the preceding calendar year and the denominator of which shall be \$29. This valuation applies to both state and local governments. The valuation for calendar year 2005 is .837¢. This valuation is identical to the valuation originally set under R.S. 47:305(D)(1)(h) (See number 88, Sales Tax Section).

### Legal Citation

R.S. 47:301(3)(f) and R.S. 47:301(13)(d)

### Origin

Acts 1996, No. 29; amended Acts 2005, No. 458

### Effective Date

July 2, 1996

### Beneficiaries

Refineries producing refinery gas

### Administration

The purpose of this provision is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

\$0; this is a valuation formula only and not an alternative method of valuation.

## *Credits*

### 147. Vendor’s compensation

This credit compensates the dealer in accounting for and remitting the sales tax. Each dealer is allowed to deduct 1.1 percent from the tax due provided the reports are submitted and paid to the Department of Revenue on a timely basis. The amount of the vendor’s compensation is computed on the sales tax collections before credit is taken for taxes paid on goods for resale. The purpose of this credit is to compensate the dealer in accounting for and remitting the sales taxes.

### Legal Citation

R.S. 47:306(A)(3)(a)

### Origin

Acts 1948, No. 9; amended by Acts 1986, No. 916; Acts 1991, No. 709; Acts 1995, No. 1186; Acts 1996, 1<sup>st</sup> Ex. Sess., No. 32; Acts 1998, 1<sup>st</sup> Ex. Sess., No. 50; Acts 2001, No. 7

### Effective Date

June 7, 1948

### Beneficiaries

Dealers who report and remit taxes on a timely basis

### Administration

The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$32,385,600	\$33,033,300

# Sales Tax

## 148. Credit for costs to reprogram cash registers

This credit allows dealers to claim up to \$25 per register to recoup costs incurred to reprogram cash registers because of changes in the sales tax rate or base. The purpose of this credit is to compensate taxpayers for costs to reprogram cash registers because of tax changes.

### Legal Citation

Acts 1990, No. 386, Section 4

### Origin

Acts 1990, No. 386

### Effective Date

July 12, 1990

### Beneficiaries

Dealers collecting Louisiana sales tax

### Administration

The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$62,900	\$64,100

## *Refunds*

## 149. Sales tax remitted on bad debts from credit sales

This refund provision grants financial relief to vendors who remit sales taxes to the state that they are subsequently unable to collect from their customers. The sales tax bad-debt recovery provision does not include rentals and leases. The purpose of this refund was to allow taxpayers a refund of sales taxes remitted to the Department, but not collected from their customers.

### Legal Citation

R.S. 47:315

### Origin

Acts 1976, No. 153; amended by Acts 1985, No. 516

### Effective Date

July 20, 1976

### Beneficiaries

Vendors who have remitted the tax on credit sales of tangible personal property that ultimately was uncollectible from their customers.

### Administration

The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$983,000	\$1,002,600

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# Sales Tax

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## **150.State sales tax paid on property destroyed in a natural disaster**

This refund provision gives financial assistance to persons who have suffered uninsured losses in natural disasters. The sales tax paid on destroyed property can be refunded upon the filing of a proper claim. The refund is based upon taxes paid by the owner on the destroyed property. The purpose of this refund is to provide financial relief to persons who have suffered uninsured losses in natural disasters.

### **Legal Citation**

R.S. 47:315.1

### **Origin**

Acts 1970, No. 592; amended by Acts 1972, No. 592; Acts 1973, No. 60

### **Effective Date**

August 17, 1969

### **Beneficiaries**

Owners of property destroyed by a natural disaster in an area determined by the President of the United States to need federal assistance.

### **Administration**

The documentation submitted for tax claims is generally incomplete; claims that appear to be reasonable and probable are honored. Under the present system, there is no correlation between need and eligibility for refunds. A better system could probably be devised for giving aid to persons adversely affected by natural disasters.

### **Estimated Fiscal Effect**

During fiscal year 2005-2006, \$6,086,849 in sales tax refunds were issued to victims of hurricanes Katrina and Rita. We are unable to predict the future fiscal effect.

## **151.Materials used in the construction, restoration, or renovation of housing in designated areas**

This refund provision offers a financial incentive to persons who renovate, restore, or rehabilitate existing structures or who construct new housing in certain blighted areas of the state. These areas are determined by local governing authorities. The purpose of this refund provision is to encourage people to improve the conditions of the blighted areas.

### **Legal Citations**

R.S. 47:315.2, R.S. 40:582.1-582.7, and R.S. 47:1515.1

### **Origin**

Acts 1984, No. 292

### **Effective Date**

September 3, 1984

### **Beneficiaries**

People engaged in construction or renovation of real property in certain blighted areas of the state

### **Administration**

The purpose of this provision is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

Unable to anticipate; no data. No refunds issued in previous years.

# Sales Tax

## 152. Purchases or leases of durable medical equipment paid by or under provisions of Medicare

This refund provision allows a person paying tax on the purchase or rental of durable medical equipment that is paid by or under the provisions of Medicare to request a refund of the state taxes paid. Most qualifying purchases are already exempted from the state sales tax under pertinent provisions of R.S. 47:305(D). However, leases are not.

### Legal Citation

R.S. 47:315.3

### Origin

Acts 1994, No. 25

### Effective Date

August 15, 1994

### Beneficiaries

Purchasers and lessees of qualifying durable medical equipment

### Administration

The purpose of this provision is achieved in a fiscally effective manner. Lessors who lease durable medical equipment that is directly paid for by Medicare are allowed to exempt the lease payments from the sales tax.

### Estimated Fiscal Effect

Unable to anticipate; no data.

## 153. Louisiana Tax Free Shopping Program

This provision offers refunds of state and local sales taxes on certain purchases to international tourists to encourage increased tourism in Louisiana. By paying an annual \$100 fee, merchants will be included in a listing of tax-free stores that is distributed to international tourists. The purpose of the refund provision is to encourage tourists to purchase goods in Louisiana, which in turn benefits the retail dealers.

### Legal Citation

R.S. 51:1301

### Origin

Acts 1988, No. 535; amended Acts 2001, 1<sup>st</sup> Ex. Sess. No. 7; Acts 2004 1<sup>st</sup> Ex. Sess., No. 14

### Effective Date

July 8, 1988

### Sunset Date

July 1, 2007

### Beneficiaries

International tourists who travel and make purchases in Louisiana and the merchants who participate in the program

### Administration

A commission was created to organize the program and appoint a refund agency to issue tax refunds to departing tourists.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$287,500	\$293,200

# Sales Tax

## *State exemptions with prohibitions on taxation*

### **154.Sale of gasoline, gasohol, and diesel**

The Louisiana Constitution prohibits the taxation of fuel that is subject to the road-use excise tax. This excludes most fuel sales, as most gasoline, gasohol, and diesel will be subject to road use tax. Gasoline, not subject to road use excise tax, is exempt from taxation of sales tax under R.S. 47:301(D)(1)(a). Gasohol, not subject to road use excise tax, is exempt from taxation under R.S.47:305.28 for gasohol produced, fermented, and distilled in Louisiana. The fiscal impact of the constitutional exclusion is shown in this section. The purpose of this prohibition is to give a tax-break to consumers.

#### **Legal Citation**

La. Const. art. VII, § 27

#### **Origin**

Constitutional Amendment

#### **Effective Date**

January 1, 1990

#### **Beneficiaries**

Consumers of road use gasoline and gasohol

#### **Administration**

The purpose of this prohibition is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$278,000,000	\$283,000,000

### **155.Purchases made with food stamps and WIC vouchers**

This exemption allows tax-free purchases of eligible food items if purchased with USDA food stamps or Women, Infants, and Children's (WIC) vouchers. The federal government issues food stamps and WIC vouchers to qualified participants to purchase eligible food items. States are not allowed to tax these purchases as a requirement for receiving federal funding for the food stamp and WIC programs. Repeal of this exemption would cost the state federal food stamp funding. The purpose of this exemption is to comply with the federal government's restrictions.

#### **Legal Citation**

R.S. 47:305.46

#### **Origin**

Acts 1986, No. 1028

#### **Effective Date**

October 1, 1987

#### **Beneficiaries**

Purchasers using food stamps and WIC vouchers

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

\$0, a constitutional amendment was passed on November 5, 2002, that fully exempted sales of food for preparation and consumption in the home effective July 1, 2003. Food items eligible to be purchased with food stamps or WIC vouchers would be exempted under the food exclusion.

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# Sales Tax

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## 156. Credit for sales and use taxes paid to other states on property imported into Louisiana

This credit allows a person or company to reduce any use tax due by the equivalent sales/use tax lawfully paid to another qualified state. In order to qualify, the other state must allow a similar credit for Louisiana taxes and the tax charged must be similar in nature. The state of Louisiana has entered into agreements with other states to allow similar credits for Louisiana residents. The purpose of this provision is to reciprocate for the credit allowed by other states.

### Legal Citation

R.S. 47:303(A)

### Origin

Acts 1964, No. 171; amended Acts 2005, No. 394

### Effective Date

July 29, 1964

### Beneficiaries

Persons and companies importing property into this state

### Administration

The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$24,170,000	\$24,650,000

## 157. Credit for use tax paid on automobiles imported by certain members of the armed services

This provision allows a credit to Louisiana residents, who have served in the armed services for two years or more, for sales taxes paid on automobiles. This credit will be honored for state and local taxes paid to any other state. The purpose of this credit is to provide financial assistance to members of the armed services.

### Legal Citation

R.S. 47:303(A), amended Acts 2005 No. 394

### Origin

Acts 1965, No. 122

### Effective Date

July 28, 1965

### Beneficiaries

Louisiana residents who serve in the armed services

### Administration

The purpose of this provision is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The fiscal effect is included under number 156, Sales Tax Section.



# Sales Tax

## 158. Use of vehicles in Louisiana by active military personnel

This exemption allows active military personnel to transfer motor vehicles into Louisiana exempt from sales tax under the following conditions:

- the personnel is on active duty in Louisiana;
- sales tax was collected in the state that the vehicle was purchased; and,
- the purchaser was a resident or stationed on military duty in the state that the vehicle was purchased.

The vehicle becomes subject to Louisiana sales tax when the person leaves active military service. A credit is allowed for taxes paid to other states under R.S. 47:303(A). This statute is similar to provisions of the Federal Soldiers and Sailors Civil Relief Act of 1940 (50 U.S.C. 574). Because of the provisions of the federal act, the credit allowed for taxes paid other states is not expected to create an additional loss of tax revenues. The purpose of this provision is to reciprocate for the credit allowed by other states.

### Legal Citation

R.S. 47:305.48

### Origin

Acts 1989, No. 435

### Effective Date

September 3, 1989

### Beneficiaries

Active military personnel

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

The fiscal effect is included under number 156, Sales Tax Section.

## 159. Sales of food for preparation and consumption in the home

The Louisiana Constitution prohibits the taxation of food sold for preparation and consumption in the home. The constitutional amendment was passed on November 5, 2002, with the full exclusion effective July 1, 2003. Sales of prepared foods by grocery stores, department stores, variety stores, drug stores, delicatessens, convenience stores, meat markets, seafood markets, and similar businesses do not qualify for the exclusion and are subject to the state sales tax. The purpose of this prohibition is to provide financial relief to the general public on food purchases.

### Legal Citation

La. Const. art. VII, § 2.2

### Origin

Constitutional Amendment

### Effective Date

January 1, 2003

### Beneficiaries

The general public

### Administration

The purpose of this prohibition is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$259,968,100	\$265,167,400

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# Sales Tax

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## 160. Sales of electric power or energy to the consumer for residential use

The Louisiana Constitution prohibits the taxation of natural gas, electricity, and water sold directly to the consumer for residential use. The constitutional amendment was passed on November 5, 2002, with the full exclusion effective July 1, 2003. The purpose of the exclusion is to benefit the residential consumers of electrical utility services.

### Legal Citation

La. Const. art. VII, § 2.2

### Origin

Constitutional Amendment

### Effective Date

January 1, 2003

### Beneficiaries

Residential consumers of electrical utility services

### Administration

The purpose of this prohibition is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$310,302,900	\$316,508,900

## 161. Sales of natural gas to the consumer for residential use

The Louisiana Constitution prohibits the taxation of natural gas, electricity, and water sold directly to the consumer for residential use. The constitutional amendment was passed on November 5, 2002, with the full exclusion effective July 1, 2003. The purpose of the exclusion is to benefit the residential consumers of natural gas.

### Legal Citation

La. Const. art. VII, § 2.2

### Origin

Constitutional Amendment

### Effective Date

January 1, 2003

### Beneficiaries

Residential consumers of natural gas

### Administration

The purpose of this prohibition is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

See number 160, Sales Tax Section

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# Sales Tax

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## **162.Sales of water to the consumer for residential use**

The Louisiana Constitution prohibits the taxation of natural gas, electricity, and water sold directly to the consumer for residential use. The constitutional amendment was passed on November 5, 2002, with the full exclusion effective July 1, 2003. The purpose of the exclusion is to benefit the residential consumers of water utility services.

### **Legal Citation**

La. Const. art. VII, § 2.2

### **Origin**

Constitutional Amendment

### **Effective Date**

January 1, 2003

### **Beneficiaries**

Residential consumers of water utility services

### **Administration**

The purpose of this prohibition is achieved in a fiscally effective manner.

### **Estimated Fiscal Effect**

See number 160, Sales Tax Section



# **Tax Incentives and Exemption Contracts**

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# Tax Incentives and Exemption Contracts

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# Tax Incentives and Exemption Contracts

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## *Introduction*

The Department of Economic Development, Business Incentives Division, administers various tax exemptions and incentive programs for the benefit of qualifying businesses. The State Board of Commerce and Industry is responsible for reviewing and approving or disapproving applications for many of the tax incentive programs administered by the Department of Economic Development.

Depending on the legislative intent, businesses must meet specific criteria to be eligible for the various tax exemption and incentives and once approved, must continue to comply with the program guidelines to maintain eligibility. The purpose of these tax exemption and incentive contracts is to encourage specific economic development.

## **Types of Tax Exemptions**

Tax exemptions can be in the form of sales and use tax rebates and exemptions and credits for income taxes, corporation franchise tax, and other taxes imposed by the state.

## **1. Atchafalaya trace heritage area development zone tax exemption**

The Board of Commerce and Industry, after receiving approval from the review board consisting of the secretaries of the Department of Revenue and Culture, Recreation and Tourism, chairmen of the Atchafalaya Trace Heritage Area Commission, House Committee on Ways and Means, and Senate Revenue and Fiscal Affairs Committee and the executive director of the Atchafalaya Trace Commission, and with the approval of the governor, may enter into contracts with heritage-based cottage industry concerns located in the development zone to grant tax credits to promote economic development and the creation of new jobs. The tax credits that may be granted are:

- a \$750 credit for the business; and
- a \$750 credit for each new development zone resident employee.

The credits can be claimed against individual income tax or corporation income or franchise taxes and the tax credit contracts are for five years.

The development zone covers the 13 parishes of Assumption, Avoyelles, Concordia, East Baton Rouge, Iberia, Iberville, Lafayette, Pointe Coupee, St. Landry, St. Martin, St. Mary, Terrebonne, and West Baton Rouge.



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# Tax Incentives and Exemption Contracts

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## 1. Atchafalaya trace heritage area development zone tax exemption (continued)

### Legal Citation

R.S. 25:1226 et seq.

### Regulations

LAC 25:XI.101 et seq.

### Origin

Acts 2002 1<sup>st</sup> Ex. Sess., No. 112

### Effective Date

January 1, 2003

### Sunset Date

No new applications to receive tax exemptions or credits will be accepted on or after January 1, 2007.

### Beneficiaries

Heritage-based cottage industry located in the development zone

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During FY 2005-06, \$180,205 in individual income tax credits were granted.

## 2. University research and development parks

The Board of Commerce and Industry, with the approval of the governor and the Joint Legislative Committee, can grant tax exemption contracts for university research and development parks as follows:

- corporation franchise tax exemptions;
- corporation income tax exemptions;
- exemptions from any other taxes imposed by the state;
- rebates of sales and use taxes on machinery, equipment, materials, and building supplies; and
- rebates of sales and use taxes on any other goods and services.

The total annual amount of the state exemptions may not exceed 30 percent of the liability for corporate franchise, income, and state sales and use taxes of the business for the previous fiscal year. The total annual sales tax rebate amount for any fiscal year may not exceed the sales tax liability for the previous fiscal year.

This exemption contract may be granted for a period not to exceed five years and renewed for periods of up to five additional years, provided that the total number of years of the exemption does not exceed ten years. The purpose of these tax exemption contracts is to encourage the development of university biomedical research and development parks.

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# Tax Incentives and Exemption Contracts

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## 2. University research and development parks (continued)

### Legal Citation

R.S. 17:3389

### Regulations

LAC 13:I.1501 et seq.

### Origin

Acts 1991, No. 1023

### Effective Date

September 6, 1991

### Beneficiaries

University-related research and development parks that meet the qualifying criteria will benefit from these exemptions. The people of the state should benefit through improved health care and improved economic conditions and the creation of jobs.

### Administration

These tax exemption contracts are administered in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. No tax exemptions have been granted thus far.

## 3. Louisiana Biomedical Research and Development Park Program

The Board of Commerce and Industry, with the approval of the Governor and the Joint Legislative Committee, can grant tax exemption contracts for research and development parks as follows:

- corporation franchise tax exemptions;
- corporation income tax exemptions;
- exemptions from any other taxes imposed by the state;
- rebates of sales and use taxes on machinery, equipment, materials, and building supplies; and
- rebates of sales and use taxes on any other goods and services.

The total annual amount of the state exemptions may not exceed the liability for corporate franchise, income, and state sales and use taxes of the business for the previous fiscal year. This exemption contract may be granted for a period not to exceed five years and renewed for periods of up to five additional years, provided that the total number of years of the exemption does not exceed ten years. The purpose of these tax exemption contracts is to encourage the development of biomedical research and development parks and university research and development parks.

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# Tax Incentives and Exemption Contracts

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## 3. Louisiana Biomedical Research and Development Park Program (*continued*)

### Legal Citation

R.S. 46:811-814

### Regulations

LAC 13:I.1301 et seq.

### Origin

Acts 1990, No. 464

### Effective Date

September 7, 1990

### Repealed

Acts 2005, No. 487, effective July 12, 2005

### Beneficiaries

Biomedical research and development parks meeting the qualifying criteria would benefit from these exemptions. The people of the state should benefit through improved health care and improved economic conditions and the creation of jobs.

### Administration

These tax exemption contracts are administered in a fiscally effective manner.

### Estimated Fiscal Effect

This program was repealed by Acts 2005, No. 487. No tax exemptions were granted under this program.

## 4. Louisiana Motion Picture Incentive Program

The purpose of the Louisiana Motion Picture Incentive Act is to provide a financial incentive to the film industry in order that the state might compete with other states for filming locations. Under the act, the following incentives are allowed:

### 1. State sales and use tax exclusion

Until January 1, 2006, motion picture production companies domiciled and headquartered in Louisiana are eligible for a refund of any state sales taxes paid on state-certified productions if they meet the following conditions:

- The company must spend at least \$250,000 in Louisiana during a 12-month period and if the production company fails to expend the required \$250,000, the sales tax will be due as of the date that the purchases were made;
- The monies must be paid from a checking account at a Louisiana financial institution;
- Application must be approved by the secretary of the Department of Economic Development with recommendation of the director of the Governor's Office of Film and Television Development; and
- The motion picture must be a nationally distributed feature-length film, video, television series, or commercial and television coverage of news and athletic events do not qualify.

### 2. Employment tax credit

A credit is allowed for qualified motion picture production companies for employment of Louisiana residents in the state-certified production of a qualified motion picture. The productions must receive the effective certification date before December 31, 2005. The credit allowed is 10 percent of the total payroll for residents employed in the production if the total qualified payroll is \$300,000 or more during the taxable year or 20 percent if the total qualified payroll is \$1 million or more during the taxable year. The credits are limited to the company's tax liability but may be carried forward for 10 years after the credit was earned.

The credit may be applied to any income tax or corporation franchise tax liability applicable to the motion picture production company. If the motion picture production company is an entity not subject to income or franchise tax, the credit shall flow through to its partners or members as follows:

# Tax Incentives and Exemption Contracts

## 4. Louisiana Motion Picture Incentive Program (continued)

- Corporate partners or members may claim their share of the credit on their corporation income or corporation franchise tax returns;
- Individual partners or members may claim their share of the credit on their individual income tax returns.
- Partners or members that are estates or trusts may claim their share of the credit on their fiduciary income tax returns.

### Legal Citation

R.S. 47:1121 et seq. and R.S. 47:301(10)(a)(vi)

### Origin

Acts 1990, No. 480; amended by Acts 1998, No. 55; Acts 2001, No. 9; Acts 2002, 1<sup>st</sup> Ex. Sess., No. 1; Acts 2002, 1<sup>st</sup> Ex. Sess., No. 5; Acts 2003, No. 551; Acts 2005, No. 456.

### Effective date

July 18, 1990

### Sunset date

Sales tax exclusion expires January 1, 2006. Productions must be certified before December 31, 2005, to be eligible for the employment tax credit.

### Beneficiaries

Qualified production companies and Louisiana residents employed by such companies. State and local economies benefit by the infusion of capital.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. An analysis of the sales tax and income and corporation franchise tax credits and exemptions for FY 2005-06 is as follows:

Fiscal Effect		
	FYE 6-05	% of Total
Corp. Income & Fran. Tax	\$173,807	15.10%
Individual Income Tax	\$977,452	84.90%
Total	\$1,151,259	100.00%

## 5. Motion picture investor tax credit

Louisiana taxpayers that invest in state-certified motion-picture productions can earn a tax credit at the time expenditures are made by a motion picture production company.

The credits cannot be applied against a tax or transferred until the expenditures are certified by the Governor's Office of Film and Television Development and the Department of Economic Development. For state-certified productions, expenditures shall be certified no more than twice during the duration of a state-certified production unless the motion picture production company agrees to reimburse the Governor's Office of Film and Television Development and the Department of Economic Development for the costs of any additional certifications.

### Tax Credit

The tax credit shall be calculated as a percentage of the total base investment dollars certified per project as follows:

1. For state-certified productions approved on or after January 1, 2004:
  - a. Total base investment greater than \$300,000 and less than or equal to \$8 million—10 percent tax credit.
  - b. Total base investment greater than \$8 million—15 percent tax credit.
2. For state-certified productions approved on or after January 1, 2006, and for state-certified infrastructure projects approved on or after July 1, 2005:
  - a. Total base investment greater than \$300,000—25 percent tax credit.
  - b. To the extent that base investment is expended on payroll for Louisiana residents employed in connection with the production—additional tax credit of 10 percent of the payroll. However, if the payroll to any one person exceeds \$1 million, this additional credit excludes any salary for that person.
  - c. Until January 1, 2008, if the total base investment is greater than \$300,000 and is expended on a state-certified infrastructure project—15 percent tax credit

# Tax Incentives and Exemption Contracts

## 5. Motion picture investor tax credit (continued)

3. For state-certified productions approved on or after July 1, 2010:

a. Total base investment greater than \$300,000—20 percent tax credit.

b. To the extent that base investment is expended on payroll for Louisiana residents employed in connection with the production—additional tax credit of 10 percent of the payroll. However, if the payroll to any one person exceeds \$1 million, this additional credit excludes any salary for that person.

4. For state-certified productions approved on or after July 1, 2012:

a. Total base investment greater than \$300,000—15 percent tax credit.

b. To the extent that base investment is expended on payroll for Louisiana residents employed in connection with the production—additional tax credit of 10 percent of the payroll. However, if the payroll to any one person exceeds \$1 million, this additional credit excludes any salary for that person.

- Motion picture investor tax credits may not exceed the total base investment in the production and the credit is allowed against the income tax for the taxable period in which the credit is earned. If the tax credit exceeds the amount of taxes due, then any unused credit may be carried forward as a credit against subsequent tax liability for ten years.
- Beginning January 1, 2006, a state-certified production that receives tax credits under R.S. 47:6007 will not be eligible to receive the rebates under the Louisiana Quality Jobs Program Act, R.S. 51:2451 et seq.

### Application of the credit

- Individuals, estates, and trusts will claim the credit on their individual income tax return.
- Entities taxed as corporations will claim the credit on their corporation income tax return.
- Entities not taxed as corporations will claim the credit on the returns of the partners or members.

### Transferability of the credit

- Any motion picture tax credits not previously claimed by any taxpayer against its income tax may be transferred or sold to another Louisiana taxpayer or to the Governor's Office of Film and Television Development.

- Beginning January 1, 2007, the investor who earned the motion picture investor tax credits may transfer the credits to the Governor's Office of Film and Television Development for 72 percent of the face value of the credits.
- Beginning January 1, 2009, and every second year thereafter, the percent of the face value of the tax credits allowed for transferring credits to the Governor's Office of Film and Television Development shall increase two percent until the percentage reaches 80 percent.
- The transferee will apply the credits in the same manner and against the same taxes as the taxpayer originally awarded the credit.

### Legal Citation

R.S. 47:6007

### Origin

Acts 1992, No. 894; amended by Acts 1997, No. 658; Acts 2002, 1<sup>st</sup> Ex. Sess., No. 6; Acts 2003, No. 551; Acts 2003, No. 1240; Acts 2004, 1<sup>st</sup> Ex. Sess., No. 7; Acts 2005, No. 456.

### Effective Date

Taxable Periods beginning on or after January 1, 1993

### Sunset Date

No new applications may be approved on or after January 1, 2007. However, applications approved before January 1, 2007, can continue to receive the tax benefits according to the agreement as long as the business retains its eligibility.

### Beneficiaries

Investors in state-certified motion picture productions

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. An analysis of the income and corporation franchise tax credits and exemptions for FY 2004-05 is as follows:

Fiscal Effect		
	FYE 6-05	% of Total
Corp. Income & Fran. Tax	\$1,156,744	3.13%
Individual Income Tax	\$35,849,392	96.87%
Total	\$37,006,136	100.00%

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# Tax Incentives and Exemption Contracts

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## 6. Industrial Tax Equalization Program

This program's purpose is to encourage the establishment and retention of manufacturing establishments, headquarters, or warehousing and distribution establishments in Louisiana by providing a procedure whereby the total state and local taxes imposed upon these establishments may be reduced, after all other tax incentives for specific sites are applied, to the levels imposed by other competing states.

### Requirements for exemption

The Board of Commerce and Industry may enter into a tax equalization contract only if each of the following requirements are met by the manufacturing establishment, headquarters, or warehousing and distribution establishments:

- The establishment must either be located in another state or be located in Louisiana and contemplating locating in another state that has equivalent or comparable advantages as the area in Louisiana in which the establishment is or seeks to be located.
- The state in which the establishment is located or is contemplating locating must have a total state, parish, and local tax structure that offers a greater tax advantage to the establishment than does the taxing structure of Louisiana.
- The applicant for tax equalization may be any form of business entity.
- The sites under consideration in Louisiana and the competing state must be valid and viable for the proposed operations.
- The secretary of the Department of Economic Development must make a recommendation to the governor to extend an invitation to apply for tax equalization.
- The applicant must receive an invitation to apply from the governor.

### Tax exemptions

Tax exemptions will be granted to entities in the following priority:

- New or retained manufacturing establishment
  1. Corporation franchise tax.
  2. Corporation income tax.

3. Sales and use tax on machinery and equipment to be used in manufacturing.
  4. Sales and use taxes on materials and supplies necessary for the manufacture or production of the product of the new manufacturing establishment.
  5. Any other taxes imposed by the state to which like businesses are subject.
- New or retained headquarters
    1. Corporation franchise tax.
    2. Corporation income tax.
    3. Sales and use tax on purchases and leases of, and repairs to, machinery and equipment that is used in the on-site operation of the new headquarters facility.
    4. Sales and use tax on purchases of tangible personal property used in the construction of the new headquarters facility.
    5. Any other taxes imposed by the state to which like businesses are subject.
  - New or retained warehousing and distribution establishment
    1. Corporation franchise tax.
    2. Corporation income tax.
    3. Sales and use tax on purchases and leases of, and repairs to, machinery and equipment that is used in the on-site operation of the warehousing and distribution establishment.
    4. Sales and use tax on purchases of materials and supplies necessary for the on-site operation of the warehousing and distribution establishment.
    5. Sales and use tax on purchases of tangible personal property used in the construction of the warehousing and distribution establishment.
    6. Any other taxes imposed by the state to which like businesses are subject.

### Commuter airline sales tax exclusion

R.S. 47:3204(L) provides a state sales tax exclusion for purchases or leases of airplane equipment, airplane parts, and airplanes by any commuter airline domiciled in the state as defined in R.S. 47:305.21.



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# Tax Incentives and Exemption Contracts

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## 6. Industrial Tax Equalization Program (continued)

### Legal Citation

R.S. 47:3201-3205

### Regulations

LAC 13:I.1901 et seq.; LAC 13:I.2101 et seq.; LAC 13:I.2301 et seq.; LAC 13:I.2501 et seq.

### Origin

Acts 1966 Ex. Sess., No. 12; amended by Acts 1976, No. 381; Acts 1985, No. 3; Acts 1987, No. 307; Acts 1989, No. 491; Acts 1993, No. 400; Acts 2005, No. 403.

### Effective Date

September 3, 1989

### Beneficiaries

The companies that locate new manufacturing establishments, new headquarters, and new warehouse and distribution establishments in the state benefit from these exemptions. The people of the state benefit by the employment, production, and income from these new establishments.

### Administration

These tax exemption contracts are administered in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During FY 2005-06, \$3,500,000 in sales tax exemptions were granted.

## 7. Exemptions for manufacturing establishments

The purpose of the manufacturing establishments exemption program is to induce industrial development in the state, encourage the establishment of new business enterprises and the retention and expansion of existing businesses that fit the Vision 2020 profile.

Applications must be submitted to the Department of Economic Development and, at the same time, notices of the application and amount and type of exemption must be sent to each member of the legislature and to the assessor and governing authority of each political subdivision where the manufacturing establishment is located or is to be located.

The Department of Economic Development will review the application to determine whether the requirements for an exemption contract have been satisfied and will determine whether exemptions should be provided in a contract to be recommended to the Board of Commerce and Industry.

The Board of Commerce and Industry will review any recommendations for exemptions made by the governor and the Department of Economic Development and conduct public hearings on any application for exemption. The board will forward its recommendations and the proposed tax exemption contract and all other supporting documents to the Department of Economic Development, the governor, the Legislative Budget Committee, the assessor, each member of the legislature, and the governing authority of the political subdivision before the governor takes action. Upon receipt of the recommendations and proposed contract the governor and the Legislative Budget Committee will each have 30 days to approve or reject the contract and, if approved, to return the contract to the board, and the Departments of Economic Development and Revenue for implementation.

The Board of Commerce and Industry with approval of the governor may enter into contracts for periods not exceeding five years and the contracts may be renewed for periods of up to five years, provided that the total number of years of exemption shall not exceed 15 years unless provided in R.S. 47:3204(B)(1)(b).

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# Tax Incentives and Exemption Contracts

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## 7. Exemptions for manufacturing establishments (continued)

### Requirements for exemption

The secretary of economic development and the Board of Commerce and Industry may consider any of the following factors in determining whether to award manufacturing establishment exemptions:

1. The benefits to the state in terms of continued employment opportunities, investments in, and modernization of, facilities, expenditures for goods and services, and contributions to the revenue base of the state and local governments and the creation of new and additional permanent jobs.
2. Competitive conditions existing in other states or in foreign nations.
3. The economic viability of the applicant, and the effect of any tax exemptions on economic viability.
4. The effects on applicant of temporary supply and demand conditions.
5. The effect of casualties and natural disasters.
6. The effects of United States and foreign trade policies.
7. The effect of federal laws and regulations bearing on the economic viability within the state of the applicant.
8. The competitive effect of like or similar exemptions granted to other applicants.
9. Those terms and conditions of the contract that provide for guarantees of employment and for clawbacks in the event of nonperformance of such guarantees and other terms and conditions favorable to the continued operation and staffing of the business.

### Tax exemptions that may be granted:

1. Corporation franchise tax.
2. Corporation income tax.
3. State sales and use taxes on machinery and equipment to be used by the applicant, on materials and building supplies, whether purchased directly or through a contractor, to be used in repair, reconstruction, modification, or construction of plant and facilities, and on materials and supplies used in the manufacture or production of the applicant's product.

4. State sales and use taxes on any other goods and services used or consumed by the applicant.
5. Any other state taxes imposed directly on the applicant.

### Legal Citation

R.S. 47:4301-4306

### Regulations

LAC 13:I.1701 et seq.

### Origin

Acts 1982, No. 773; amended by Acts 1987, Nos. 356, 535, and 921; Acts 1998, No. 32; Acts 1993, No. 400; Acts 1998, No. 32; Acts 2005, No. 403.

### Effective Date

September 10, 1982

### Beneficiaries

Those companies that establish or expand manufacturing operations within the state benefit from the tax exemptions under this statute. The people of the state also benefit from the employment, production, and income from these businesses.

### Administration

These tax exemption contracts are administered in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During FY 2005-06, \$31,000 in Individual Income Tax exemptions were claimed.



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# Tax Incentives and Exemption Contracts

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## 8. Research and development tax credit

The purpose of the research and development tax credit is to encourage new and continuing efforts to conduct research and development activities within this state.

Any taxpayer who claims a federal income tax credit under 26 U.S.C. §41(a) for increasing research activities is eligible for this tax credit to be applied against income and corporation franchise taxes due.

Taxpayer must apply for the credit to the Department of Economic Development and pay the \$250 application fee. The department will approve or disapprove each application and no credits will be allowed unless approved by the department.

### Research and development tax credits allowed

- Income tax years beginning on or after January 1, 2003, and franchise tax years beginning on or after January 1, 2004:
  1. Eight percent of the state's apportioned share of the taxpayer's expenditures for increasing research activities.
  2. 25 percent of the state's apportioned share of the federal research credit claimed for research expenditures in the state if the taxpayer claims the alternative incremental tax credit under 26 U.S.C. §41.
- Income tax years beginning on or after January 1, 2005, and franchise tax years beginning on or after January 1, 2006:
  1. Eight percent of the state's apportioned share of the taxpayer's expenditures for increasing research activities, if the taxpayer is an entity that employs 500 or more Louisiana residents.
  2. 20 percent of the state's apportioned share of the taxpayer's expenditures for increasing research activities, if the taxpayer is an entity that employs fewer than 500 Louisiana residents.
  3. 25 percent of the state's apportioned share of the federal research credit claimed for research expenditures in the state if the taxpayer claims the alternative incremental tax credit under 26 U.S.C. §41.

- The state's apportioned share of a taxpayer's expenditures for increasing research activities is the excess of the taxpayer's qualified research expenses for the taxable year over the base amount, as determined under 26 U.S.C. §41, multiplied by a percentage equal to the ratio of the qualified research expenses in this state for the taxable year to the taxpayer's total qualified research expenses for the taxable year.
- Credits will carry forward for no more than ten tax years from the date of the award.

### Tax credit for federal small business innovation research grants

Taxpayers who receive a federal Small Business Innovation Research Grants are allowed a credit as follows:

- Income tax years beginning on or after January 1, 2003, and franchise tax years beginning on or after January 1, 2004—eight percent of the award received.
- Income tax years beginning on or after January 1, 2005, and franchise tax years beginning on or after January 1, 2006—20 percent of the award received.

### Sale of unused tax credits

Taxpayers who are awarded tax credits in excess of their tax liabilities for a given year may elect to sell their unused tax credits to taxpayers with a Louisiana tax liability provided all of the following criteria are met:

1. The unused credits are sold for a minimum of 75 percent of the value of the tax benefits.
2. The taxpayer seeking to sell the unused credits belongs to one of the traditional or seed clusters as defined by the Department of Economic Development.
3. The taxpayer seeking to sell the unused credit employs no more than 225 employees, of which 75 percent must be Louisiana citizens.
4. The sale of the tax credit must be approved by the Department of Economic Development.
5. The purchaser of unused credits must apply the credits in the same manner and against the same taxes as the taxpayer originally awarded the credit.

# Tax Incentives and Exemption Contracts

## 8. Research and development tax credit Application of tax credits (continued)

- All entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities not taxed as corporations must claim credit on the partner's tax returns

### Legal Citation

R.S. 47:6015

### Regulations

LAC 13:I.2901 et seq.

### Origin

Acts 2002 1<sup>st</sup> Ex. Sess., No. 9; amended by Acts 2005, No. 402.

### Effective Date

For Income tax years beginning after December 31, 2002 and franchise tax years beginning after December 31, 2003.

### Sunset Date

No credit shall be allowed for research expenditures or Small Business Innovation Research Grant funds received after December 31, 2009.

### Beneficiaries

Qualifying taxpayers increasing research activities in Louisiana

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. An analysis of the income and corporation franchise tax credits and exemptions for FY 2005-06 is as follows:

Fiscal Effect		
Corporate Income	FYE 6-05	% of Total
Corporate Income and Franchise Tax	\$89,007	40.13%
Individual Income Tax	\$132,788	59.87%
Total	\$221,795	100.00%

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# Tax Incentives and Exemption Contracts

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## 9. New markets tax credit

The purpose of the new markets tax credit is to encourage and attract private sector qualified equity investment in a qualified community development entity in the state.

- A tax credit is allowed for investments in qualified low-income community development entities (CDEs).
- The total tax credits that may be allowed for all taxpayers during any taxable year cannot exceed \$5 million.
- Before claiming the tax credit, investors must make application to the Department of Revenue and the credits will be allocated on a first-come, first-served basis.
- Investors are eligible for the tax credit if the Community Development Entity (CDE) has made qualified low-income community investments and no more than 25 percent of their investments in low-income communities are in the form of loans.
- Qualified low-income community investments cannot consist of investments secured by any state or federal governmental entity.
- The credit is effective for tax years beginning on or after September 1, 2002 and is null and void on August 31, 2013.
- Unused credits can be carried over to succeeding years until used.

### Legal Citation

R.S. 47:6016

### Origin

Acts 2002, No. 66; amended by Acts 2005, No. 424.

### Effective Date

For tax years beginning on or after September 1, 2002

### Sunset Date

No tax credits will be allowed for qualified equity investments made after August 31, 2013.

## 9. New markets tax credit (continued)

### Beneficiaries

Private sector capital investors investing in certain low-income community investments

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During FY 2005-06, no credits were claimed.

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# Tax Incentives and Exemption Contracts

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## 10. Angel Investor Tax Credit Program

The purpose of the Angel Investor Tax Credit Program is to encourage third parties to invest in early stage wealth-creating businesses in the state, expand the state's economy by enlarging its base of wealth creating businesses, and to enlarge the number of quality jobs available to retain the presence of young people educated in the state.

### Qualifications

The Angel Investor Tax Credit Program is administered by the Department of Economic Development (DED). Individuals or entities that invest in a Louisiana Entrepreneurial Business that is domiciled in the state, employs 50 or fewer full-time employees, and has gross annual sales of less than \$10 million or has a business net worth of less than \$2 million may apply for income or corporation franchise tax credits for a period of five tax years.

Applicants must meet the following qualifications:

- The investment in the Louisiana Entrepreneurial Business must be an investment that is at risk and not secured or guaranteed. "At risk" means that the repayment of the investment is entirely dependent on the success of the business.
- The funds invested by the applicant cannot have been raised as a result of other Louisiana tax incentive programs, funds pooled or organized through capital placement agreements for the purpose of equity and venture capital investing unless approved by DED, or as the result of illegal activity.
- Angel investors cannot be the principal owners of the business who are involved in the operation of the business as a full-time professional activity nor can their spouses and relatives within the third degree of consanguinity or affinity. A principal owner means one or more persons who own an aggregate of 50 percent or more of the Louisiana Entrepreneurial Business.
- The use of proceeds from the investment must be used for capital improvements, plant equipment, research and development, working capital for the business, or other business activity as may be approved by DED. The proceeds cannot be used to pay dividends, repay shareholder's loans, redeem shares, or repay debt unless approved by DED.

## 10. Angel Investor Tax Credit Program (continued)

- The applicant must meet the definition of accredited investor established by DED.
- The investment in the Louisiana Entrepreneurial Business by the applicant must be maintained for three years unless otherwise approved by DED.

Louisiana Entrepreneurial Business must meet the following requirements:

- The principal business operations of the business are located in Louisiana.
- Before the investment by the taxpayer, the business has received approval as qualified to receive angel investor tax credits by DED.
- The Louisiana Entrepreneurial Business must demonstrate that it will be a wealth-creating business for Louisiana by demonstrating in its business plan that it will have more than 50 percent of its sales from outside Louisiana.
- The business is not a business engaged primarily in retail sales, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services including venture capital funds.

Tax credit qualifications

- The investment in the Louisiana Entrepreneurial Business may not exceed \$1 million per year per business and \$2 million total per business.
- The credit will be allowed against the income tax for the taxable period in which the credit is earned and the franchise tax for the taxable period following the period in which the credit is earned.
- Credits earned on or before December 31, 2005, shall not be allowed until the income tax period beginning January 1, 2006, and the franchise tax due January 1, 2007.
- The credit is for 50 percent of the amount of money invested in the Louisiana Entrepreneurial Business divided in equal portions for five years limited to \$1 million per year per business and \$2 million total per business.
- The total angel investor tax credits granted by DED in any calendar year may not exceed \$5 million.

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# Tax Incentives and Exemption Contracts

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## Application of tax credits

- All entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities not taxed as corporations must claim credit on the partner's tax returns
- Tax credits will expire beginning with the 11th tax year after the tax year in which the credit was originally granted.

## Legal Citation

R.S. 47:6020 et seq.

## Origin

Acts 2005, No. 400

## Effective Date

For income tax and franchise tax years beginning on or after January 1, 2005

## Sunset Date

Null and void on December 31, 2009

## Beneficiaries

Qualifying third-party investors in early stage wealth-creating businesses in the state and the people of the state because of the additional quality jobs available

## Administration

The purpose of this credit is achieved in a fiscally effective manner.

## Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts.

## 11. Brownfields investor tax credit

The purpose of the brownfields investor tax credit is to stimulate environmental economic development in Louisiana by encouraging the cleanup, redevelopment, and productive reuse of brownfields sites in the state. A brownfields site is an identified area in the state for which the expansion, redevelopment, or reuse may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.

## Application and approval

- Applications for the brownfields investor tax credits for remedial investigations and remediation actions must be jointly submitted to the Department of Economic Development (DED) and the Department of Environmental Quality (DEQ).
- Upon receipt of the application, DEQ will issue a site specific identification number, which will be forwarded to DED and the Board of Commerce and Industry.
- Within 30 days of receipt of the application, DEQ will file any objections with the DED.
- The Board of Commerce and Industry will then make its recommendations to the governor for a final determination of the request for the tax credit.
- After approval by the governor, the applicant may proceed with the voluntary remedial investigation with DEQ's oversight.
- After a satisfactory demonstration that the voluntary remedial investigation is complete, DEQ will approve the remedial investigation report and issue a certificate of completion to the taxpayer-applicant and forward it to the DED secretary, the Board of Commerce and Industry, and the secretary of the Department of Revenue.
- The certificate of completion will entitle the taxpayer to the 15 percent investigation tax credit
- After approval by the governor of a voluntary remediation tax credit application, the applicant may proceed with his voluntary remediation action.

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# Tax Incentives and Exemption Contracts

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## 11. Brownfields investor tax credit (continued)

- After satisfactory demonstration that the voluntary remedial action has been accomplished and DEQ approves the voluntary remediation action report, DEQ will issue a certificate of completion to the taxpayer-applicant and shall forward a copy to the DED secretary and the secretary of the Department of Revenue.

### Investor tax credit

Taxpayers are allowed a credit against state income tax for the investment in a voluntary remediation action or a voluntary remedial investigation as follows:

- 15 percent of the total investment on the certified completion date of a voluntary remedial investigation at a state-certified site.
- 25 percent of the total investment on the certified completion date of a voluntary remediation action at a state-certified site.
- Tax credits may never exceed the total investment in the site.

### Application of tax credits

- All entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities not taxed as corporations must claim credit on the partner's tax returns

Credit may be taken against the income tax for the taxable period in which the credit is earned and if the tax credit exceeds the amount of taxes due, any unused credit may be carried forward for ten years.

### Recapture of credits

- If the secretaries of DEQ or the Department of Revenue find that funds for which a taxpayer received credits are not invested in and expended with respect to a state-certified assessment or remediation then the investor's state income tax for the taxable period will be increased by the amount necessary for the recapture of credit

- Taxpayer applying for the credit will be required to reimburse DEQ for audits or recapture of credits.
- Credits previously granted to a taxpayer may be recovered by the secretary of the Department of Revenue through any collection remedy authorized by R.S. 47:1561.
- The only interest that may be assessed and collected on recovered credits is interest at a rate three percentage points above the rate provided in R.S. 9:3500(B)(1), which shall be computed from the original due date of the return on which the credit was taken.

### Ineligible participants

No corporation or partnership including any company owned, affiliated, or controlled, in whole or in part, by any company or person that is in default on a loan made by the state or a loan guaranteed by the state, or any company or person who has ever declared bankruptcy under which an obligation of the company or person to pay or repay public funds or monies was discharged as a part of such bankruptcy will be eligible to receive this tax incentive.

### Legal Citation

R.S. 47:6021

### Origin

Acts 2005, No. 156

### Effective Date

July 1, 2005

### Beneficiaries

Taxpayers that invest in a qualifying voluntary remediation action or a voluntary remedial investigation benefit by the tax credit. Citizens of the state benefit by the cleanup, redevelopment, and productive reuse of brownfields sites in the state.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During Fiscal Year 2005-06, \$5,773 in individual income tax credits were granted.



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# Tax Incentives and Exemption Contracts

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## 12. Digital interactive media producer tax credit

A transferable tax credit is allowed for investing in a state certified digital interactive media production in Louisiana. The tax credit is a percentage of investment in the production expended in the state.

The purpose of the digital interactive media producer tax credit is to encourage development of a strong capital base for the production of digital interactive media in order to achieve a more independent, self-supporting industry.

### Certification of projects eligible for tax credits

- The director, appointed by the secretary of the Department of Economic Development, will determine what projects qualify for certification and will notify each producer and the secretary of the Department of Revenue.
- The initial certification will include a unique identifying number for each state-certified production.
- After completion of all or a portion of a state-certified production, the director will review the production expenses.
- If the director approves the expenses and has the approval of the secretary of the Department of Economic Development and the commissioner of administration, the director will issue to the producer a certification letter that includes the state-certified production's identifying number.
- Any taxpayer applying for the credit shall be required to reimburse the Department of Revenue for any audits required in relation to granting the credit.

### Producer tax credit

- For projects certified before January 1, 2010, an income tax credit will be earned by producers at the time funds are expended in Louisiana on a state-certified production as follows:
  1. For the 1st and 2nd years following certification—20 percent of the base investment for the year.
  2. For the 3rd and 4th years following certification—15 percent of the base investment for the year.

3. For the 5th and 6th years following certification—10 percent of the base investment for the year.

4. After the 6th year—no tax credits.

### Application of tax credits

- All entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals must claim credit on their individual income tax return.
- Entities not taxed as corporations must claim credit on the partner's tax returns

The tax credit will be allowed against the taxpayer's income tax due for the taxable period in which the credit is earned and the immediately preceding period.

If the tax credit exceeds the amount of taxes due, any unused credit may be carried forward as a credit against subsequent tax liability for a period not to exceed ten years.

The amount of the tax credit may not exceed the amount of taxes due for the taxable period.

### Transferability of the credit

Any tax credits allocated to a person and not previously claimed by any taxpayer against his income tax may be transferred or sold to another Louisiana taxpayer, subject to the following conditions:

- A single transfer or sale may involve one or more transferees.
- Transferors and transferees must submit notification of any transfer or sale of tax credits to the Director within 30 days after the transfer or sale of the tax credits.
- Failure to comply with the transfer requirements will result in the disallowance of the tax credit until the taxpayers are in full compliance.
- The credit transfer or sale does not extend the time in which the credit can be used.
- The transferee must apply the credits in the same manner and against the same taxes as the taxpayer originally awarded the credit.

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# Tax Incentives and Exemption Contracts

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## 12. Digital interactive media producer tax credit (continued)

### Requirement to continue business in the state

- Any producer who has received the tax credit must commit to continue business operations in the state for at least one year after the certification of any tax credit.
- To meet the requirement for continuing business operations in the state, the producer's base investment in the year following certification of any tax credit must be at least 25 percent of the amount of the previous year's base investment.
- If a producer who has received the tax credit should not continue business operations in this state for one year after certification, the producer shall either:
  1. Surrender all credits earned within one year of the date the producer does not continue business operations in this state; or
  2. Pay back all credits earned within one year of the date the producer does not continue business operations in the state.

### Legal Citation

R.S. 47:6022

### Origin

Acts 2005, No. 346

### Effective Date

June 30, 2005

### Sunset Date

December 31, 2009

### Beneficiaries

Taxpayers that invest in a state certified digital interactive media production in Louisiana benefit by this tax credit. Citizens of the state benefit from a more independent, self-supporting digital interactive media industry.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During Fiscal Year 2005-06, \$22,000 in individual income tax credits were granted.

## 13. Sound recording investor tax credit

A refundable tax credit is allowed for a percentage of the base investment in state-certified musical recording productions or infrastructure projects at the time expenditures are certified by the Department of Economic Development.

The purpose of the tax credit is to encourage development in Louisiana of a strong capital and infrastructure base for musical recording productions in order to achieve a more independent, self-supporting, music industry.

### Certification of projects eligible for tax credits

- Applications for initial project certification must be submitted to the Department of Economic Development (DED).
- The tax credit will be earned by investors at the time expenditures are certified by DED according to the total base investment certified for the sound recording production company per calendar year.
- DED will submit its initial certification of a project as a state-certified production or a state-certified musical recording infrastructure project to investors and to the secretary of the Department of Revenue.
- No credit will be allowed for any expenditures for which a motion picture investor tax credit was granted under R.S. 47:6007.
- No sound recording production company may earn a sound recording investor tax credit in more than three years out of any five-year period.
- Any taxpayer applying for the credit must reimburse DED for any audits required in relation to granting the credit.

### Investor tax credit

- Until January 1, 2008, investors in state-certified productions and state-certified musical recording infrastructure projects are eligible for investor tax credits as follows:
  1. Total base investments greater than \$15,000 and less than or equal to \$150,000—10 percent of the base investment.
  2. Total base investments greater than \$150,000 and less than or equal to \$1 million—15 percent of the base investment.



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# Tax Incentives and Exemption Contracts

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## 13. Sound recording investor tax credit (continued)

- 3. Total base investments greater than \$1 million—20 percent of the base investment.
- Sound recording investor tax credits may not exceed the total base investment in the project.

### Limitation on tax credit

- The total amount of credits certified for all investors during any calendar year is limited to \$3 million.
- Credits will be granted on a first-come, first-served basis.
- If the total amount of credits applied for exceeds \$3 million, the excess will be treated as having been applied for on the first day of the subsequent year.

### Application of tax credits

- Entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals, estates, and trusts must claim credit on their individual income tax return.
- Entities not taxed as corporations must claim credit on the partner's tax returns
- Excess credits may be refunded.

### Recapture of credits

If the Louisiana Music Commission and the Department of Economic Development find that funds for which an investor received credits are not invested in and expended with respect to a state-certified production within 24 months of the date that the credits are earned, the investor's state income tax for the taxable period will be increased by the amount necessary to recapture the credit.

### Recovery of credits

- Credits previously granted to a taxpayer, but later disallowed, may be recovered by the secretary of the Department of Revenue through any collection remedy authorized by R.S. 47:1561 and initiated within three years from December 31st of the year in which the 24 month investment period ends.

- Interest will be assessed and collected on recovered credits at a rate three percentage points above the rate provided in R.S. 9:3500(B)(1) computed from the original date of the return on which the credit was taken.

### Legal Citation

R.S. 47:6023

### Origin

Acts 2005, No. 485

### Effective Date

For tax years beginning on or after January 1, 2006

### Sunset Date

January 1, 2008

### Beneficiaries

Investors in state-certified musical recordings and infrastructure projects

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During Fiscal Year 2005-06, \$8,000 in individual income tax credits were granted.

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# Tax Incentives and Exemption Contracts

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## 14. Enterprise zones

Enterprise zones are areas with high unemployment, low income, or a high percentage of residents receiving public assistance.

The Enterprise Zone Program is a jobs incentive program that creates income and franchise tax credits to businesses located in designated enterprise zones that create new jobs and hire at least 35 percent of their new jobs from one of four targeted groups. Because of the jobs creation, sales tax rebates may be available.

### Applications

- The Department of Economic Development, Business Incentives Division is responsible for administering the enterprise zone and economic development zone programs.
- The Board of Commerce and Industry is responsible for approving the enterprise zone applications.
- Applicants must submit an Advance Notification Form and a \$100 fee to the DED Business Incentives Division before starting a project or construction.
- An Application Form and fee, which ranges from \$200 to \$5,000, must be filed within 90 days after the completion of the project or construction.
- After the Board approval, a 60-month contract is entered into between the Board and the applicant.
- An Inspection/Audit Affidavit Form must be submitted with a \$100 fee within six months of completion of the project or returned with the signed original contract, whichever is later.

### Eligibility

- Churches and businesses engaged in gaming or residential development are not eligible.
- The business must create a minimum number of permanent new jobs at the enterprise zone site from the project or construction start date as follows:
  1. Increase current statewide workforce by 10 percent (minimum of 1) within the first 12 months; or

2. Create a minimum of five new jobs within the first 24 months.

- To qualify for the tax credit

1. New jobs must be filled by Louisiana residents who have been living in the state at least 30 consecutive days before being hired.
2. Employees in 35 percent of new jobs created must meet at least one of the following four certification requirements:

- a. Residency

- (1) If the company is located in an urban parish, the employee must live in an enterprise zone in the parish the company is located;
- (2) If the company is located in a rural parish and located in an enterprise zone, the employee may live anywhere in the parish the company is located;
- (3) If the company is located in a rural parish and not located in an enterprise zone, the employee must live in an enterprise zone in the parish where the company is located; or
- (4) If the company is located in an Economic Development Zone, the employee may live anywhere in the parish the company is located.

- b. Receiving some form of public income assistance prior to being employed.

- c. Considered unemployable by traditional standards or lacking basic skills.

- d. Physically challenged.

### Jobs tax credit

- A one-time \$2,500 jobs tax credit for each certified net new job created.
- A one-time \$5,000 jobs tax credit for each certified net new job created in the aviation or aerospace industry, or by a motor vehicle parts manufacturer or rubber manufacturer.
- The jobs tax credit can be claimed against the taxpayer's state income or franchise tax liabilities and Limited Liability Companies and Subchapter S corporations may pass the job tax credit to the owners listed on the enterprise zone contract.
- The tax credits may be carried forward up to 10 years from the year earned.

# Tax Incentives and Exemption Contracts

## 14. Enterprise zones (continued)

### Sales tax rebate

- State sales and use tax rebates are paid on materials, furniture, fixtures, machinery and equipment purchased and used on the enterprise zone site.
- Items must be delivered during the project or construction period.
- The rebate period cannot to exceed 24 months.

### Legal Citation

R.S. 51:1781 et seq.

### Regulations

LAC 13:I.701 et seq.

### Origin

Acts 1981, No. 901; amended by Acts 1982, No. 120; Acts 1992, No. 1024; 1993 R.S., H.C.R. No. 71; Acts 1995, No. 194 and 581; Acts 1997, No. 624, 647, 1155, and 1172; Acts 1999, No. 386 and 977; Acts 2000, No. 46; Acts 2001, No. 9; Acts 2002, 1st Ex. Sess., No. 4; Acts 2002, No. 36; Acts 2003, No. 1203 and 1240; Acts 2005, No. 388, 339, and 443.

### Effective Date

September 11, 1981

### Beneficiaries

Those companies that locate new business establishments in designated enterprise zones and meet the criteria of this statute benefit from these exemptions. The people living in these enterprise zones benefit from the employment, production, and income from these establishments.

### Administration

These tax exemption contracts are administered in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. An analysis of the sales tax and income and corporation franchise tax credits for FY 2005-06 is as follows:

Fiscal Effect		
	FYE 6-05	% of Total
Sales Tax	\$10,496,737	84.73%
Corp. Income & Fran. Tax	\$1,170,525	9.45%
Individual Income Tax	\$720,798	5.82%
Total	\$12,388,060	100.00%

## 15. Urban Revitalization Tax Incentive Program

The purpose of the Urban Revitalization Tax Incentive Program is to stimulate business and industrial growth in the depressed areas of the state by providing assistance to businesses and industries and by providing tax incentives in these areas.

### Administration of program

- The Department of Economic Development (DED) is responsible for administering the program.
- DED will establish criteria for qualifications of urban revitalization zones based on unemployment, youth unemployment, per capita income, migration, and the number of residents receiving public assistance.
- DED will only designate urban revitalization zones after receiving notice from the appropriate governing authority that the governing authority agrees to the following:
  1. Devise and implement a program to improve police protection within the zone.
  2. Give priority to the use in the zone of any applicable funds received from the federal government.
  3. Assist DED in certifying employers to be eligible for the benefits of this program.
  4. Authorize DED to supersede certain specified local regulations and ordinances that may serve to discourage economic development within the revitalization zone.
  5. Assist DED in evaluating progress made in any revitalization zone within its jurisdiction.

### Requirements

- The business enterprise and its contractors give preference and priority to Louisiana business enterprise and to Louisiana suppliers, contractors, and labor, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice in operational efficiency.

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# Tax Incentives and Exemption Contracts

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## 15. Urban Revitalization Tax Incentive Program (continued)

- Requests for exemptions must be accompanied by an endorsement resolution approved by the governing body of the appropriate municipality, parish, port district, or industrial development board in whose jurisdiction the establishment is to be located.
- The business is or shall be located within the boundaries of an urban revitalization zone.
- The business located in an urban revitalization zone and receiving benefits certifies that at least 35 percent of its employees:
  1. Are residents of the same or a contiguous revitalization zone as the location of the business.
  2. Were receiving some form of public assistance prior to employment.
  3. Were considered unemployable by traditional standards or lacking in basic skills.
  4. Any combination of the above.
- Employee certifications must be updated annually if the business is to continue receiving benefits.

### Incentives

The Board of Commerce and Industry after consultation with the secretaries of the Department of Economic Development and Department of Revenue, and with the approval of the governor, may enter into contracts to provide for the following tax incentives:

- Exemption from all or a portion of the state income taxes for five years and renewable once for five years.
- Exemption from all or a portion of the state corporate franchise taxes for five years and renewable once for five years.
- \$5,000 tax credit per net new employee as determined by the company's average annual employment reported under the Louisiana Employment Security Law.
  1. This tax credit may be applied to any state income or franchise tax liability during the taxable year in which the increase in average annual employment occurred.

2. If the entire credit cannot be used in the year earned, the excess of the credit can be refunded.

- These incentives are in lieu of any incentives under the Enterprise Zone Program.

### Legal Citation

R.S. 51:1801 et seq.

### Origin

Acts 2005, No. 466

### Effective Date

July 1, 2005

### Beneficiaries

Those businesses and industries that locate in urban revitalization zones will benefit by this program. The people living in these zones will also benefit from the employment, production, and income from these establishments.

### Administration

These tax exemption contracts are administered in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During Fiscal Year 2005-06, no credits were granted.

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# Tax Incentives and Exemption Contracts

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## 16. Louisiana Capital Companies Tax Credit Program

The purpose of the Louisiana Capital Companies Tax Credit Program is to provide assistance in the formation and expansion of new businesses that create jobs in the state by providing for the availability of venture capital financing to entrepreneurs, managers, inventors, and other individuals for the development and operation of qualified Louisiana businesses.

### Program administration

- The Department of Economic Development (DED) is responsible for maintaining and interpreting program policy.
- The Office of Financial Institutions (OFI) is responsible for performing the program's regulatory and examination functions.

### Certification of a capital company

- Companies desiring certification as a Louisiana Capital Company must apply to the OFI Commissioner.
- The capitalization must be at least \$200,000.
- Within 60 days of application, the OFI commissioner will issue the certification and notify the Department of Revenue and the commissioner of insurance of the certification or refuse the certification and notify the applicant the grounds for the refusal.
- The OFI commissioner must furnish a list of persons or businesses who may claim the tax credit to the Department of Revenue and the commissioner of insurance quarterly.

### Income tax credit or premium tax reduction

- Any person who invests in the certified capital of a certified Louisiana capital company may claim either an insurance premium tax reduction or an income tax credit in the taxable year in which the investment is made.
- The income tax credit is 35 percent of the capital investment.
  1. The total income tax credits granted to all taxpayers are limited to \$2 million per calendar year.

2. If the total credits requested exceed \$2 million during any calendar year, the tax credits will be allocated among certified Louisiana capital company groups.
- Insurance premium tax reductions are allowed as follows:
    1. For tax reduction credits granted to investors prior to January 1, 2001, the tax reduction will be applied to the premium tax liability not to exceed ten percent of the premium tax reduction in any one year until one hundred percent of the premium tax reduction has been claimed by the insurer; or
    2. For tax reduction credits granted to investors after January 1, 2001, the tax reduction will not be applied to any premium tax liability generated within two years from the date of investment and will be applied to the premium tax liability not to exceed 12\_ percent of the premium tax reduction in any one year until one hundred percent of the premium tax reduction has been claimed by the insurer;
    3. The tax reduction credits may not exceed the premium tax liability in any taxable year.
    4. If a holder of premium tax reduction credits does not use credits that are generated after December 31, 1999, and which are eligible to be used in a given calendar year, those premium tax reduction credits may be carried forward and used in any subsequent year until such credits are exhausted; provided, the reduction in any taxable year shall not exceed the premium tax liability for the taxable year.
    5. Tax reduction credits are not allowed for investments made after December 31, 2003.
    6. The total insurance premium tax credits granted in any calendar year may not result in an additional reduction of total premium tax revenues greater than \$5 million.
    7. If the total requests for premium tax credits exceed the \$5 million maximum amount, the premium tax credits will be allocated to the certified Louisiana capital company groups.



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# Tax Incentives and Exemption Contracts

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## 16. Louisiana Capital Companies Tax Credit Program (continued)

### Corporation income and franchise tax exemption

- Any corporation that is a certified Louisiana capital company will be exempt from the corporation income tax and the corporation franchise tax for five consecutive taxable periods.
- The corporation income tax exemption begins with the taxable period in which the capital company is certified. If the corporation is certified before the beginning of its first taxable period, the exemption will begin with the corporation's first taxable period.
- The corporation franchise tax exemption begins with the next taxable period following the taxable period in which capital company is certified. If the corporation is certified before the beginning of its first taxable period, the exemptions will begin with the corporation's second taxable period.

### Transfer of tax credits

- DED will provide for the transfer or sale of premium and income tax credits.
- The transfer or sale of income or premium tax credits will be restricted to transfers or sales between affiliates and sophisticated investors.
- No acquirer of tax credits will be able to use any premium tax credit earned after July 1, 2002, until at least the second anniversary of the investment date of the investment pool from which the premium tax credits were earned.
- Even though a transfer or sale of credits may involve several entities, only one election may be made during any calendar quarter.
- An investor in a certified Louisiana capital company may only transfer or sell credits once during a calendar quarter and the entity that purchases the credit may not transfer credits obtained during the quarter in which the credits are transferred or purchased.
- In any subsequent calendar year, the purchaser of the credits may make one transfer election per calendar quarter.

### Legal Citation

R.S. 51:1921 et seq.

### Regulations

LAC 10:XV.301 et seq.

### Origin

Acts 1983, No. 642; amended by Acts 1984, No. 891; Acts 1986, No. 695 and 915; Acts 1987, No. 703; Acts 1989, No. 496; Acts 1992, No. 849; Acts 1993, No. 279; Acts 1994, 3rd Ex. Sess., No. 9; Acts 1996, No. 21; Acts 1997, No. 58 and 366; Acts 1998, No. 70; Acts 2001, No. 8, 9, and 1122; Acts 2002, No. 84.

### Effective Date

Taxable periods beginning after December 31, 1985

### Program Termination

No capital companies may be certified to begin the program after June 30, 2003, and no capital investments may be certified after December 31, 2003.

### Beneficiaries

Individuals who need venture capital to develop and operate a qualified Louisiana business

### Administration

The purpose of this exemption is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data. During FY 2005-06, \$121,016 in individual income tax credits were claimed.

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# Tax Incentives and Exemption Contracts

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## 17. Technology Commercialization Credit Program

The purpose of the technology commercialization credit program is to induce companies purchasing the rights to commercialize technology produced at a Louisiana university to locate and grow their businesses in Louisiana, to expand the economy of the state by enlarging its base of technology and research-based businesses, to enlarge the number of quality jobs available to an educated workforce to retain the presence of young people educated in Louisiana colleges and universities, and to attract and retain the finest research faculty to Louisiana universities.

### Program administration

- The Department of Economic Development (DED) is responsible for implementing and administering the program.
- DED will certify the eligibility of applicants based on their qualifications.
- Once certified, DED will provide the taxpayer with documentation required to claim the credit.
- DED is responsible for administering the sale of certified technology commercialization credits to other taxpayers.

### Qualifications

- The investment in commercialization costs, including investment by purchase or lease of machinery and equipment which is placed into and maintained in service in Louisiana that is directly related to the production of technology or is used to produce resources essential to the production of technology must be at least \$250,000 in the first taxable year that the machinery and equipment is placed in service in Louisiana and at least \$2 million by the end of the fourth tax year.
- To qualify for a technology commercialization credit for four additional years immediately after the first four years, the applicant must invest at least \$250,000 in each succeeding tax year in commercialization costs for the production of technology or the production of resources essential to the production of technology.
- No technology commercialization credit may be granted for more than eight consecutive tax years at the same business location.

- No technology commercialization credit may be earned in a year in which the machinery and equipment in which an investment was made is not in regular service in Louisiana.
- No technology commercialization credit may be earned in a tax year for an investment for which any other tax credit based on research and development is provided by the state.
- A taxpayer who earns credits and fails to meet the requirement of not less than \$2 million in investment in commercialization costs, including machinery and equipment by the end of the fourth tax year must repay to Louisiana the amount of all technology commercialization credits claimed and credited against tax liability, forfeit all other technology commercialization credits earned and retained for future use, and will be liable to the state for the price obtained for any credits sold.
- A taxpayer who earns credits and fails to meet the requirement of not less than \$250,000 of investment by the end of each year in which a tax credit is granted will not be eligible for any tax credit in that taxable year, must repay any amounts allowed as a credit for that year, and will cease to qualify for any further credit for investment in that location.

### Tax credits

- Qualifying individuals or businesses that invest in the commercialization of Louisiana technology in the state may apply for a tax credit on any income or corporation franchise tax liability.
- Income or corporation franchise tax credits may be granted for 15 percent of the amount of money invested in commercialization costs for one business location.
- Credits will be granted for a period of not less than four tax years.
- Credits may be claimed in the tax year earned or retained for use in future tax years.

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# Tax Incentives and Exemption Contracts

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## 17. Technology Commercialization Credit Program (continued)

### Sale of tax credits

- Taxpayers who are certified by DED to meet all of the following qualifications may sell all or any unused portion of its technology commercialization credits to other taxpayers for present or future use:
  1. Is identified as a business in one of the traditional or seed clusters established by the DED as part of its organizational structure.
  2. Has no more than 225 employees.
  3. Not less than 75 percent of all employees in the business are Louisiana residents.
- Taxpayers must sell their tax credits for at least 75 percent of the value.
- The purchaser of unused credits must apply the credits in the same manner and against the same taxes as the taxpayer applicant.

### Application of tax credits

- Entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals, estates, and trusts must claim credit on their individual income tax return.
- Entities not taxed as corporations must claim credit on the partner's tax returns.
- Tax credits claimed, either by the taxpayer or by a subsequent claimant, may not exceed 50 percent of the taxpayer's total income and corporation franchise taxes due after deducting all other credits except any tax payments made by the taxpayer.
- Tax credits will expire after 20 years.

### Legal Citation

R.S. 51:2351 et seq.

### Regulations

LAC 13:I.2701 et seq.

### Origin

Acts 2002 1<sup>st</sup> Ex. Sess., No. 8

### Effective Date

Income tax years beginning after December 31, 2002, and franchise tax years beginning after December 31, 2003.

### Sunset Date

December 31, 2006. However, there is a 20-year carryforward of unused credit.

### Beneficiaries

Qualifying individuals or businesses that invest in the commercialization of Louisiana technology

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. During FY 2005-06, no credits were claimed.



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# Tax Incentives and Exemption Contracts

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## 18. Louisiana Quality Jobs Program

The Quality Jobs Program is an incentive to encourage businesses to locate or expand existing operations in Louisiana and create quality jobs focusing on Louisiana Vision 2020 traditional and seed clusters industries.

### Application procedure

- Applicants must submit an Advance Notification and \$100 processing fee to the DED, Business Incentives Division before locating a business, expanding an existing business, or creating new direct jobs.
- An application and application fee ranging from \$200 to \$5,000 must be filed within 90 days of the project beginning or the creation of jobs.

### Eligibility

- To qualify a business must be in one of the following six Vision 2020 cluster industries:
  1. Biotechnology and Biomedical
  2. Micro-manufacturing
  3. Software, Internet, and Telecommunications
  4. Environmental Technology
  5. Food Technology
  6. Advanced Materials;
  7. Or be any of the following:
    - a. A manufacturer with certain NAICS Codes;
    - b. An oil and gas field service business and pay at least \$30,000 annually for each new direct job created and business located in Louisiana is the national or regional headquarters of a multi-state business including Louisiana and the Gulf of Mexico;
    - c. A business that must or will have sales of at least 75 percent of its total annual sales to out-of-state customers or buyers and/or to in-state customers or buyers and the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government;

d. A business that must or will have sales of at least 50 percent of its total annual sales to out-of-state customers or buyers, and/or to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government and meet one of the following provisions:

- (1) A business with a NAICS Code having a direct state employer multiplier of 2.0 or greater as defined by the Regional Input/Output Multiplier System II;
- (2) A Central Administrative Office in which data processing, customer service, credit accounting, telemarketing, claims processing, other administrative functions are performed;
- (3) Have back office operations and telephone call center operations and NAICS Code of 56142;
- (4) A wholesale trade business, NAICS Code 42 and have a distribution center 25,000 square feet or greater;

- Insurance for full-time employees

1. New quality job employees who work at least 35 hours per week or 30 hours per week if a Call Center, NAICS Code 56142, must be offered a basic health plan within 90 days.
2. The employer must meet one of these provisions:
  - a. Pay at least 85 percent of the basic health plan premium for individual coverage and 50 percent of the basic health plan premium for family plan coverage for employees with annual wages less than \$50,000;
  - b. Pay at least 70 percent of the basic health plan premium for individual coverage for employees with annual wages \$50,000 or greater;
  - c. For applications filed after July 1, 2004, the employer with 50 employees or less and classified in one of the Vision 2020 targeted industries must pay at least 50 percent of the basic health plan premium for individual coverage;

# Tax Incentives and Exemption Contracts

## 18. Louisiana Quality Jobs Program (continued)

- Employers must create a minimum of five new direct jobs and must meet one of the following provisions:
  1. Employers with greater than 50 jobs must have a minimum of \$500,000 gross annual payroll for new direct jobs within three years of the effective date of the contract;
  2. Employers with 50 jobs or less must have a minimum of \$250,000 gross annual payroll for new direct jobs within three years of the effective date of the contract.

### Benefit rate

- For new direct jobs with pay at least  $1\frac{3}{4}$  times the federal minimum hourly wage rate—five percent.
- For new direct jobs with pay at least  $2\frac{1}{4}$  the federal minimum hourly wage rate and meet one of the following provisions—six percent.
  1. The new direct jobs are located in a distressed region designated by DED or at least 50 percent of the new direct jobs are filled persons who reside in the distressed region.
  2. The employer of the new direct jobs is categorized in a traditional or seed cluster.

### Payroll benefit

- The annual benefit is the benefit rate times the gross payroll of the new direct jobs.

### Sales tax rebate

- State sales/use tax rebate on materials for new infrastructure, machinery, and equipment purchased during the construction period and used exclusively on site.
- A portion of the local sales/use tax may be rebated with an Endorsement Resolution from the local governing authority received before the application is approved.
- Local sales tax dedicated to schools or bond indebtedness is not eligible for rebate.

### Legal Citation

R.S. 51:2451 et seq.

### Regulations

LAC 13:I.1101 et seq.

### Origin

Acts 1995, No. 1238; amended by Acts 1996, 1<sup>st</sup> Ex. Sess., No. 39; Acts 2000, No. 46; Acts 2002, 1<sup>st</sup> Ex. Sess., No. 110 and 153; Acts 2003, No. 47, 847, and 1240; Acts 2004, No. 13, 699, and 899; Acts 2005, No. 326.

### Effective Date

July 1, 1995

### Beneficiaries

Those establishments that create new direct jobs and meet the program's requirements will benefit from the incentives and rebates offered under the program. The people of the state also benefit from the employment, production, and income from the businesses.

### Administration

The purpose of this credit is achieved in a fiscally effective manner.

### Estimated Fiscal Effect

We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. An analysis of the sales tax rebates and income and corporation franchise tax credits and exemptions for FY 2004-05 is as follows:

Fiscal Effect		
	FYE 6-05	% of Total
Sales Tax	\$1,734,112	80.52%
Corp. Income & Fran. Taxes	\$29,482	1.37%
Individual Income Tax	390,110	18.11%
Total	\$2,153,704	100.00%

# **Telecommunication Tax Exemption**



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# Telecommunication Tax

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## ***Introduction***

Act 660 of the 1988 Regular Legislative Session levied a tax on each residence and business telephone access line of local exchange companies operating in Louisiana. This tax was for the purpose of providing access to all public telecommunications services to persons who are deaf, deaf and blind, or who are similarly handicapped. The taxes are collected from the customers monthly and remitted quarterly by each local exchange company. The proceeds from this tax are placed in a special fund designated as the Telecommunications for the Deaf Fund.

## **Legal Citation**

R.S. 47:1061

## **Tax Base**

Use of each residence and business customer telephone access line.

## **Tax Rate**

5¢ per month per line.

## **Type of Tax Exemption**

The only tax exemption provided for is a deduction. A deduction, for this purpose, is a specific reduction in the amount of tax due.

## **Significant Changes Fiscal Year 2005-2006**

There were no significant changes to the telecommunication tax laws during the past year.

## ***Deduction***

### **1. Deduction of two percent**

A deduction of two percent of the tax collected is allowed for the timely reporting and remitting of the taxes due. The purpose of this deduction is to encourage compliance and to compensate companies for expenses related to the collection and remittance of this tax.

## **Legal Citation**

R.S. 47:1601(A)(2)

## **Origin**

Acts 1988, No. 660

## **Effective Date**

September 1, 1988

## **Beneficiaries**

The local telephone exchange companies operating in Louisiana who collect the tax from their customers

## **Administration**

The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$30,000	\$30,000



# **Tobacco Tax Exemptions**





# Tobacco Tax

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# Tobacco Tax

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## ***Introduction***

A tobacco tax was first levied in 1926, by Act 197 for the benefit of public schools. Retail dealers were taxed at the rate of 1¢ per 10¢ of the retail selling price of cigarettes, smoking and chewing tobacco, cigars, cheroots, and snuff. The tax was effective October 1, 1926, for a period of four years.

Act 4 of 1932 levied a new tax on sales of cigars, cigarettes and smoking tobacco effective September 1, 1932. The cigarette rate was based on each cigarette sold. Cigars were taxed on weight and price per 1,000 and the tax ranged from 75¢ to \$13.50 per 1,000. Smoking tobacco was taxed at 1¢ for each 5¢ of retail selling price. The tax was evidenced by tax stamps supplied by the state and applied by the tobacco dealers who were allowed a discount when purchasing stamps in quantities not less than \$100 face value.

The tax rates on cigarettes increased over the years as follows:

1932	Levied at 1/5¢ per cigarette to 4¢ per 20 pack
1942	Increased by 1/20¢ per cigarette to 5¢ per 20 pack
1948	Increased to 2/5¢ per cigarette or 8¢ per 20 pack
1970	Increased to 11/20¢ per cigarette or 11¢ per 20 pack
1984	Increased to 16/20¢ per cigarette or 16¢ per 20 pack
1990	Increased to 1¢ per cigarette or 20¢ per 20 pack
2000	Increased by 4/20¢ per cigarette to 24¢ per 20 pack (Increase effective until June 30, 2012)
2002	Increased by 12/20¢ per cigarette to 36¢ per 20 pack

The tax rates on cigars and smoking tobacco changed in 1942 and 1948, and were eventually set at the current rates in 1974 by Act 413, effective January 1, 1975. A tax on smokeless tobacco was levied effective July 1, 2000.

The discount from the face value of the tax stamp also changed from the original ten percent in 1932 to six percent in 1942; seven percent in 1944; nine percent in 1948; to the current six percent in 1972.

The tobacco tax is currently levied on tobacco products and collected from the dealer who first sells, uses, consumes, handles, or distributes the products within the state. Tax stamps indicate the payment of tax on cigarettes and can only be purchased from the Department by wholesale tobacco dealers who are required to post a bond.

## **Legal Citations**

R.S. 47:841 through 47:869

## **Tax Base**

Cigarettes—per cigarette.

Cigars and smoking tobacco—manufacturer's invoice price.

## **Tax Rate**

- Cigarettes – 1.8¢ per cigarette (36¢ per standard package of 20).
- Cigars – 8 percent if manufacturer's invoice price is \$120 per 1,000 or less; 20 percent if manufacturer's invoice price is more than \$120 per 1,000.
- Smoking tobacco—33 percent of the manufacturer's invoice price.
- Smokeless tobacco – 20 percent of the manufacturer's invoice price.

## **Types of Tax Exemptions**

Tobacco tax exemptions are in the form of discounts, exemptions, and refunds. Discounts are a proportionate deduction from the gross amount reported. Exemptions are items included in the tax base, but specifically exempted by statute. Refunds are restitution of taxes paid.

There are two statutory tax exemptions that are also prohibited from taxation by federal laws. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

## **Significant Changes Fiscal Year 2005-2006**

Acts 2006, No.108 amended R.S. 47:844 to provide that all wholesale tobacco permits will be issued by the Office of Alcohol and Tobacco Control; R.S.

# Tobacco Tax

47:843(C)(5) to allow the amount of stamps to be purchased on credit to be equal to the bond amount; and R.S. 47:848(B) to allow for the waiver of the bond for dealers purchasing stamps on credit under certain circumstances.

## Discounts

### 1. Discount of six percent for tobacco stamps

A six percent discount from the face value of the cigarette tax stamps is granted to registered tobacco dealers when the gross stamp purchases exceed \$100. The purpose of the discount is to provide a volume discount and to compensate dealers for expenses related to tax collection.

#### Legal Citation

R.S. 47:843(C)(3)

#### Origin

Acts 1932, No. 4

#### Effective Date

September 1, 1932

#### Beneficiaries

Bonded Louisiana tobacco dealers that have direct purchasing contracts with manufacturers and purchase stamps in quantities of \$100 or more

#### Administration

The purpose of this discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$7,000,000	\$7,000,000

### 2. Discount of six percent for timely filing reports

A six percent discount is allowed for timely and accurately filing reports only on those purchases made by registered tobacco dealers in Louisiana who have a direct purchasing contract with the manufacturer. The reports must be accompanied by payment for any taxes due on cigars and smoking tobacco. The purpose of the discount is to encourage compliance and to compensate dealers for expenses related to the collection and reporting of the tax.

#### Legal Citation

R.S. 47:851(B)(2)(b)

#### Origin

Acts 1974, No. 415

#### Effective Date

January 1, 1975

#### Beneficiaries

Bonded Louisiana tobacco dealers that have direct purchasing contracts with manufacturers and timely file their tax reports

#### Administration

The purpose of this discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$350,000	\$0

**Note:** This discount has been ruled unconstitutional effective March 22, 2006, *Dixie Tobacco & Cady Co. v. Cynthia Bridges, Secretary et al.*, Suit No. 503,614 Sec. 23. See Statement of Acquiescence No. 06-001 issued November 13, 2006.

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# Tobacco Tax

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## *Exemption*

### **3. Sales to state institutions**

Smoking and chewing tobacco purchased by state institutions for distribution to inmates are exempt from the tobacco tax. The purpose of this exemption is to allow tax-free purchases by state institutions.

#### **Legal Citation**

R.S. 47:855

#### **Origin**

Acts 1944, No. 150

#### **Effective Date**

July 26, 1944

#### **Beneficiaries**

Inmates of Louisiana state institutions

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

Negligible; less than \$10,000.

## *Refund*

### **4. Return of taxable product to the manufacturer**

A refund or credit is allowed for the amount of tax paid on tobacco products returned to a manufacturer either as damaged or unfit for sale. The purpose of this provision is to allow the refund of taxes paid on damaged products returned to the dealer.

#### **Legal Citation**

R.S. 47:857

#### **Origin**

Acts 1932, No. 4

#### **Effective Date**

September 1, 1932

#### **Beneficiaries**

Licensed tobacco dealers

#### **Administration**

The purpose of this refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$60,000,000	\$60,000,000

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# Tobacco Tax

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## *Federally imposed exemptions*

### **5. Sales to federal government and its agencies**

Sales of tobacco products to the U.S. Government or any of its agencies direct from the manufacturer are exempt from tobacco taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

#### **Legal Citation**

No specific statute

#### **Origin**

U.S. Constitution

#### **Effective Date**

September 1, 1932

#### **Beneficiaries**

U.S. government agencies

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

#### **Estimated Fiscal Effect**

Negligible; less than \$10,000.

### **6. Interstate shipments of tobacco products**

Cigarettes and smoking tobaccos exported beyond the borders of Louisiana are not subject to tobacco taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

#### **Legal Citation**

R.S. 47:849

#### **Origin**

Acts 1932, No. 4

#### **Effective Date**

September 1, 1932

#### **Beneficiaries**

Licensed tobacco dealers engaged in interstate commerce

#### **Administration**

The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-07	FYE 6-08
\$16,000,000	\$16,000,000