

2016 Second Extraordinary Session

HOUSE BILL NO. 27

BY REPRESENTATIVE BROADWATER

TAX/SALES & USE: Provides for the non-taxability of sales or use of raw materials purchased for further processing (Item #48)

1 AN ACT

2 To amend and reenact R.S. 47:301(10)(c)(i)(aa), relative to sales and use taxes; to provide
3 with respect to the taxability of sales of certain materials for further processing; to
4 provide for legislative intent; to provide for effectiveness; and to provide for related
5 matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:301(10)(c)(i)(aa) is hereby amended and reenacted to read as
8 follows:

9 §301. Definitions

10 As used in this Chapter the following words, terms, and phrases have the
11 meaning ascribed to them in this Section, unless the context clearly indicates a
12 different meaning:

13 * * *

14 (10)

15 * * *

16 (c)(i)(aa) The term "sale at retail" does not include sale of materials for
17 further processing into articles of tangible personal property for sale at retail which
18 shall be exempt from taxation as a sale at retail if all of the following criteria are met:

19 (I) The raw materials become a recognizable and identifiable component of
20 the primary end product.

1 (II) The raw materials are beneficial to the primary end product.

2 (III) The raw materials are material for further processing, and as such, are
3 purchased for the primary purpose of inclusion into the primary end product.

4 Section 2. This Act is intended to clarify and be interpretative of the original intent
5 and application of R.S. 47:301(10)(c)(i)(aa). Therefore, provisions of this Act shall be
6 applicable for all pending refund claims, applicable for any and all tax periods not barred by
7 prescription, and applicable to any and all claims arising or actions filed on or after the
8 effective date of this Act.

9 Section 3. This Act shall become effective upon signature by the governor or, if not
10 signed by the governor, upon expiration of the time for bills to become law without signature
11 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
12 vetoed by the governor and subsequently approved by the legislature, this Act shall become
13 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 27 Engrossed

2016 Second Extraordinary Session

Broadwater

Abstract: Regarding the state and local sales and use tax exclusion for the sale of materials for further processing, adds criteria for qualification for the exclusion.

Present law provides for the definitions to be used in the administration of state and local sales and use taxes.

Present law defines "sale at retail" to exclude the sale of materials for further processing into articles of tangible personal property.

Proposed law retains present law and adds the following criteria for qualification for the exclusion:

- (1) The raw materials become a recognizable and identifiable component of the primary end product.
- (2) The raw materials are beneficial to the primary end product.
- (3) The raw materials are materials for further processing, and as such, are purchased for the primary purpose of inclusion into the primary end product.

Proposed law is intended to clarify the original intent of the special tax treatment of sales of materials for further processing, and thus provides that proposed law shall be applicable for all pending refund claims, applicable for any and all tax periods not barred by prescription,

and applicable to any and all claims arising or actions filed on or after the effective date of proposed law.

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

(Amends R.S. 47:301(10)(c)(i)(aa))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Delete provisions that repeal the sales and use tax exclusion and establish a sales and use tax exemption.
2. Retain the criteria for qualification for purposes of the sales and use tax exclusion.