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## DIGEST

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HB 27 Reengrossed

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 and authorizes tax credits in certain cases involving the sale of a byproduct.

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

Proposed law changes the definition of "sale at retail" to exclude the purchase of raw materials for the production of raw or processed agricultural, silvicultural, or aquacultural products.

Proposed law provides that raw materials purchased for processing into a byproduct for sale shall not be deemed to be a sale for further processing, and the sale shall be taxable. Further, if a byproduct is sold at retail and sales and use tax has been paid by the seller on the cost of the base or raw materials, a credit is authorized in an amount equal to the sales tax collected by the seller on the taxable retail sale of the byproduct.

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 to refund claims submitted or assessments of additional taxes due which were filed or issued on or after the effective date of proposed law. Proposed law is not applicable to claims for a refund or assessments of additional taxes filed or issued prior to the effective date of proposed law.

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

(Amends R.S. 47:301(intro. para.) and (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.

The House Floor Amendments to the engrossed bill:

1. Delete requirement that the raw materials be purchased for the primary purpose of inclusion into the primary end product.
2. Add a change to the definition of "sale at retail" to exclude the purchase of raw materials for the production of raw or processed agricultural, silvicultural, or aquacultural products.
3. Add authority for a credit against sales and use taxes paid on raw materials which are used partially or fully in the manufacturing of a byproduct, the amount of the credit being equal to the sales tax collected and remitted by the seller on the sale of the byproduct.
4. Change the effectiveness of proposed law to provide that retroactive application of proposed law shall not apply to claims filed or assessments issued prior to the effective date of proposed law.