
DIGEST

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HB 673 Original

2017 Regular Session

Stokes

Abstract: Provides for exclusions and exemptions applicable to sale and use taxes imposed by the state and any other taxing authority.

Present law establishes a wide variety of exclusions and exemptions from the sales and use taxes imposed by the state and other taxing authorities.

Proposed law changes numerous provisions concerning exclusions and exemptions as follows.

Present law establishes the following exemptions and exclusions from sales and use taxes imposed by state, but restricts applicability to the state taxes levied under R.S. 47:302 and 331, but not R.S. 47:321 or 321.1.

- (1) Nonprofit electric cooperative.
- (2) Vessels leased for use offshore.
- (3) Gasohol.
- (4) Pharmaceutical samples for distribution without charge to physicians, dentists, clinics, or hospitals.
- (5) Catalogs distributed, or intended for distribution in La., without charge.
- (6) Gasoline not subject to the tax on motor fuels.
- (7) Adaptive driving equipment.
- (8) Wood pellets used for boiler fuel.

Present law establishes a sales and use tax exemption for purchases by parimutuel racetracks and off-track watering facilities.

Proposed law repeals present law.

Present law establishes a sales and use tax exemption for the purchase of materials, supplies, vehicles, and equipment by a public trust.

Proposed law repeals present law.

Present law establishes an exclusion from state sales and use taxes from the taxes imposed under R.S. 47:302, 321, and 331 for lease or rental for re-lease or re-rental of certain tools, pipe, tubing, and other equipment used in connection mineral wells.

Proposed law changes present law by expanding the application of the exclusion to all state tax levies and to those imposed by other taxing authorities.

Present law provides that for purposes of state sales and use taxes, the sale of tangible personal property to a dealer who purchases the property for resale through coin-operated vending machines shall be considered a "sale at retail" and be subject to tax. The subsequent resale of the property by the dealer through coin-operated vending machines shall not be considered a "sale at retail".

Present law provides that for purposes of sales and use taxes imposed by local taxing authorities "sale at retail" shall include the sale of tangible personal property by a dealer through coin-operated vending machines.

Proposed law changes present law by providing that for purposes of taxes imposed by all taxing authorities "sale at retail" shall include the sale of tangible personal property by a dealer through a kiosk or coin-operated vending machine.

Present law excludes from sales and use taxes imposed by all taxing authorities isolated or occasional sales made by a person not engaged in the business of selling at retail.

Proposed law retains present law and establishes a definition for "isolate or occasional sale" as follows:

- (1) Six or fewer separate sales of taxable items at retail during a twelve-month period by a person who does not habitually engage, or hold himself out as engaging, in the business of selling taxable items at retail.
- (2) The sale of all of the operating assets of a business, or of a separate division, branch, or identifiable segment of a business.
- (3) The sale of tangible personal property by an individual if the property was originally bought by the individual or a member of the individual's family for the personal use of the individual or the individual's family.
- (4) The sale of tangible personal property by an individual if the individual is not required to be registered as a dealer pursuant to this Chapter.
- (5) The sale of tangible personal property by an individual if the individual does not employ an auctioneer, broker, or factor, other than an online auction, to sell the property.

- (6) The sale of tangible personal property at a sheriff's sale or tax sale due to foreclosure on the property or the sale by an obligee of tangible personal property acquired by the obligee by foreclosure or otherwise in full or partial satisfaction of an obligation.

Present law establishes state sales and use tax exemptions for the following:

- (1) Sale of livestock, poultry, and other farm products directly by the farm that produced them.
- (2) Use of livestock, poultry, and other farm products by the farmer that produced them.

Proposed law changes present law by converting the exemptions to exclusions.

Present law establishes the following sales and use tax exclusions:

- (1) Admissions to athletic entertainment events of schools, colleges and universities.
- (2) Activities involved in a contract with the U.S. Navy concerning Navy vessels.
- (3) Sales, purchases, and leases by a parochial or private schools.
- (4) Sale of school lunch by a parochial or private school.
- (5) Lease or rental of a motor vehicle by a motor vehicle dealer for purposes of a warranty agreement.
- (6) Repair services associated with a motor vehicle warranty.
- (7) Human tissue transplants.
- (8) Food items sold by youth organizations.
- (9) Purchases by volunteer and public fire departments.
- (10) Free telephone directories.
- (11) Sales by the Military Department.
- (12) Sales by a thrift shop located at a military installation.
- (13) Sale of anthropogenic carbon dioxide for a tertiary recovery project.
- (14) Membership fees or dues for certain nonprofit clubs or organizations.
- (15) Certain sales of sleeping room at certain camp and retreat facilities.

- (16) Pharmaceutical administered to livestock.
- (17) Materials used by a blood bank or nonprofit blood collection center, to include aphaeresis kits and leuko reduction filters.

Proposed law changes present law by converting the exclusions to exemptions.

Present law provides for the definition of "sales price" and excludes from "sales price" the value of an article of tangible personal property that is traded in on the purchase of another article of tangible personal property.

Proposed law changes present law to update references to property that is traded in and adding the requirement that the trade in occur at the same time and place as the sale at retail.

Present law provides that for purposes of sales and use taxes imposed by all taxing authorities, any cellular, PCS, or wireless telephone used in connection with the sale or use of mobile telecommunications services, the term "sales price" shall mean and include the greater of (i) the amount of money actually received by the dealer from the purchaser for each such telephone, or (ii) twenty-five percent of the cost of the telephone to the dealer.

Proposed law changes present law by changing the the condition for determining "sales price" based on the cost of the telephone to the dealer from 25% to 100% of the cost.

Present law defines "custom software" for purposes of sales and use taxes imposed by all taxing authorities and establishes a state sales and use tax exemption for the sale of custom software.

Proposed law changes present law by adding a definition of "pre-written software" and by extending applicability of the exemption to the taxes imposed by any taxing authority.

Present law defines "news publication" to mean any printed periodical that appears at regular intervals, contains reports of a varied character, such as political, social, cultural, sports, moral, religious, or other subjects of general public interest.

Proposed law changes present law by adding to the definition concerning types of content and intervals of publication.

Present law establishes an exemption from sales and use taxes imposed by any taxing authority for feed for the purpose of sustaining animals for commercial, business, or agricultural purposes. Present law defines "commercial", "business", and "agricultural" uses. Further, present law, for purposes of state tax, is only applicable to the taxes imposed under R.S. 47:302 and 331, but not applicable for the tax imposed under R.S. 47:321 or 321.1

Proposed law changes present law by repealing the definition of "business use" and including race horses in the definition of "commercial use", and by extending the exemption to all state sales and use tax levies.

Present law establishes an exemption from sales and use taxes imposed by any taxing authority for all energy sources used for boiler fuel, the exemption being applicable to the state taxes levied under R.S. 47:302 and 331, but not R.S. 47:321 or 321.1.

Present law establishes an exclusion from sales and use taxes imposed by any taxing authority for pelletized paper waste used for boiler fuel.

Proposed law changes present law by adding the exclusion for pelletized paper waste into the exemption for energy sources for boiler fuel and by extending the applicability of the exemption to all state sales and use tax levies.

Present law establishes an exemption from sales and use taxes imposed by the state for the purchase of orthotics, including prescription eyeglasses, contact lenses, prosthetic devices, and wheelchairs and wheelchair lifts.

Proposed law retains present law and adds hearing aids, and augmentative communication devices to the list of exempt items.

Present law provides that no new or additional sales tax shall be applicable to sales of materials or services involved in lump sum or unit price construction contracts entered into prior to the effective date of the statute or ordinance levying the tax.

Proposed law changes present law by expanding the types of contracts to which the exemption applies to include unit price, fixed fee, or guaranteed maximum price contracts.

Present law contains three different exemptions concerning admissions to and sales of parking and tangible personal property at an event sponsored by a nonprofit organization (R.S. 47:305.13, 305.14(A)(1)(a), and 305.18), with duplicate provisions.

Proposed law consolidates the three sections of law into one.

Present law establishes an exemption from taxes imposed by all taxing authorities for raw materials used in a printing process, to include a variety of types of equipment and chemical supplies.

Proposed law changes present law by establishing two different exemptions, one for a commercial printer, and one for a printer of a news publication.

Proposed law regarding a commercial printer, limits the exemption to sale or use of materials that are purchased for the purpose of inclusion into tangible personal property to be sold at retail by the printer.

Proposed law regarding a printer of a news publication, retains the provisions of present law and converts such provisions into a new exemption for "mass communication industries".

Present law establishes an exemption from sales and use taxes imposed by any taxing authority for

the sale of newspapers.

Proposed law retains provisions of present law and adds the exemption for newspapers into the the new exemption for "mass communication industries".

Present law establishes an exemption from state use taxes for the use of a motor vehicles subject to the vehicle registration tax previously purchased in another state by active duty military personnel stationed in La.

Proposed law changes present law by extending the exemption to the use taxes imposed by any taxing authority.

Present law establishes an exemption from state sales and use taxes for the sale of original, one-of-a-kind works of art from an established location within the boundaries of a cultural product district. Further, present law defines "cultural product district" as a special area designed by a local governing authority for such purpose.

Proposed law changes present law by extending the applicability of the exemption to the taxes imposed by any taxing authority and, further, by repealing the requirement that the sale of the artwork occur in a cultural product district, with the exemption to apply to all sales of such property in La.

Present law establishes an exemption from state sales and use taxes for purchase by a council on aging.

Proposed law changes present law by extending the applicability of the exemption to the taxes imposed by any taxing authority and by including cooperative purchasing organizations comprised of councils on aging.

Present law establishes exemptions from state sales and use tax for certain sales of admissions to and tangible personal property and services sold at an event occurring at a state-owned domed stadium facility, a state-owned baseball facility, or a locally or university-owned domed stadium facility.

Proposed law changes present law by moving the provision to Title 47 and re-designating it R.S. 47:305.73, and by repealing the exemption for events occurring at a locally or university-owned domed stadium facility.

Present law authorizes optional sales and use tax exemptions for any non-state taxing authority for certain sales of admissions, tangible personal property, and services at an event occurring at a facility that is owned and operated by or for the state, or any of its agencies, boards, or commissions, or by any political subdivision, or on the publicly owned property on which the facility is located. Exemptions from state sales and use tax will be identical to those adopted by the local taxing authority in which the facility is located.

Present law does not apply to events occurring at a state-owned domed stadium facility, a state-

owned baseball facility, or a locally or university-owned domed stadium facility.

Proposed law changes present law by moving the provision to Title 47 and re-designating it R.S. 47:305.74, and by adding an optional exemption for sales at an event occurring at a locally or university-owned domed stadium facility.

Present law establishes an exemption from the sales and use taxes imposed by any taxing authority for sales of admissions, tangible personal property, and parking services occurring at an event sponsored by a domestic nonprofit organization if the event provides La. heritage, culture, crafts, art, food, and music that transpires over a minimum of seven but not more than twelve days with a five-year annual average attendance of at least three hundred thousand over the duration of the event.

Present law provides that the exemption shall not apply to any event intended to yield a profit to the promoter or to any individual contracted to provide services or equipment, or both, for the event.

Proposed law changes present law by limiting the exemption for sales at an event sponsored by a domestic nonprofit organization if the event provides La. heritage, culture, crafts, art, food, and music to one-half of the cost price of admission. Further, proposed law removes the restriction that no individual contracted to provide services or equipment for the event shall make a profit on the contract.

Present law establishes a sales and use tax exclusion for the sale of platinum, gold, or silver bullion, and numismatic coins.

Proposed law changes present law by converting the exclusion to an exemption and limiting it to sales of investment grade platinum, gold, or silver bullion.

Present law establishes the following exemptions and exclusions for specific nonprofit organizations:

- (1) Food banks.
- (2) Nonprofit entities that sell donated goods.
- (3) Sickle cell disease organizations.
- (4) Boys State of La., Inc. and Girls State of La., Inc.
- (5) Fore!kids Foundation.
- (6) Toys to be donated.
- (7) Ducks Unlimited and Bass Life.
- (8) Organizations dedicated to the conservation of fish and migratory waterfowl.

- (9) Construction materials used by certain nonprofit retirement centers.
- (10) Literacy organizations.
- (11) Admissions to little theater, musical, and dance and drama performances.
- (12) Donations to schools and food banks.
- (13) Food items sold by youth organizations.

Proposed law repeals present law and establishes a new sales and use tax exemption applicable to all taxing authorities for sales or use of any tangible personal property which is purchased by a nonprofit organization if the property is purchased with monies donated to the organization, and if the property is donated for free for the charitable purpose for which the organization was established as a nonprofit, and if the organization has an exemption certificate from the Dept. of Revenue.

Present law provides for the following exclusions, exemptions, and refunds for purposes of specific providers of charitable residential housing construction:

- (1) St. Bernard Project, Inc.
- (2) Hands on New Orleans and Rebuilding Together New Orleans.
- (3) Make it Right Foundation.
- (4) Habitat for Humanities.

Proposed law repeals present law and establishes a new sales and use tax exemption applicable to all taxing authorities for sales or use of construction materials purchased by a nonprofit organization which are intended for the following purposes: construction of new residential dwellings to be donated or sold at below market rates by a nonprofit organization established for that purpose, or rehabilitation and renovation of residential dwellings that were damaged in a natural disaster which will be donated or sold at below market rates by a nonprofit organization established for that purpose.

Present law provides with regard to sales returned to a dealer for a credit or refund of tax associated with a bad debt.

Proposed law retains present law and specifies that only an amount equal to the amount of tax remitted may be claimed as a credit or refund.

Present law establishes sales and use tax exclusions or exemptions from state sales and use taxes for the following purposes:

- (1) Manufacturing machinery and equipment.

- (2) Machinery and equipment used for production of unblended biodiesel.
- (3) Machinery and equipment used by a motor vehicle manufacturer.
- (4) Machinery and equipment used by a glass manufacturer.
- (5) Machinery and equipment used by a utility company regulated by the city of New Orleans.
- (6) Machinery and equipment used to perform tooling in a compression mold process.
- (7) Purchases and leases by a regionally accredited institution of higher education.
- (8) Pollution control devices
- (9) First \$50,000 in value of new farm equipment used in poultry production.
- (10) Consumables and services used by wood and paper product manufacturers.

Proposed law changes present law by converting these exclusions and exemptions to refunds.

Proposed law provides the requirements for refund eligibility, application, and payment.

Present law establishes a state sales and use tax exemption for the purchase of machinery and equipment by a radio station based in La.

Proposed law changes present law by limiting the benefit to only that machinery or equipment necessary to comply with licensing requirements of the Federal Communication Commission, by extending the exemption to purchases by television stations, by extending applicability of the exemption to the taxes imposed by any taxing authority, and by moving the exemption to the newly established "mass communications industries" exemption.

Present law establishes an exemption from all taxes imposed by the state or any other taxing authority for antique airplanes and other aircraft.

Proposed law repeals present law concerning sales and use taxes.

Present law authorizes provides in the Uniform Local Sales and Use Tax law provisions that specifically concern mandatory and optional sales and use tax exemptions for local taxing authorities.

Proposed law repeals or revises present law for the authority for mandatory or optional exemptions for which have been converted under proposed law to either a state refund with a local option or to application of the exemption to taxes imposed by all taxing authorities.

Effective July 1, 2018.

(Amends R.S. 4:168 and 227, R.S. 12:425, R.S. 47:301(7)(b), (10)(b) and (c)(ii), 13(a) and (h), (14)(b)(i)(aa), (23) and (24)(introductory paragraph), (a) and (b), 305(A)(4)(a) and (b) and (D)(1)(a), (h), (i), (k) and (u), 305.11(A), 305.14(A)(1) through (4), 305.19, 305.28(A), 305.44(A)(introductory paragraph), 305.47, 305.48, 305.49, 305.50(E)(1), 305.57(A) and (B), 305.66(A), 315(B)(4), 315.5(A), 337.9(C)(1), (4) and (13), and (D)(10) and (20), 337.10(G) and (I)(1), and 6001(A), to enact R.S. 47:301(10)(ii) and (18)(q), 305.73 through 305.98, 315(B)(5), 315.6 through 315.11, and 337.10(P) through (T), and to repeal R.S. 38:2212.4(C), R.S. 39:467 and 468, R.S. 47:301(3)(g), (i) through (k), (4)(i) and (k), (6)(b), (7)(c), (e) through (g), (h), (j) and (l), (8)(b) and (d) through (f), (10)(c)(i)(bb), (d), (h) through (j), (l), (n) through (r), (t), (y) through (hh), (13)(c), (e), (k), (l), (m), (14)(b)(i)(bb), and (b)(ii) through (iv), (g)(iii), (h) through (k), (16)(b)(ii), (c), (f), (h), (i) through (k), and (m), (n) through (p), (18)(c), (e), (f), (h), (k), (m), (n), (o), and (p), and (28), 302(D), 305(A)(1), (B), and (F), 305.2, 305.6, 305.7, 305.9, 305.13, 305.14(A)(5), 305.18, 305.26, 305.30, 305.33, 305.40 through 305.44(B), 305.45, 305.50(E)(2), 305.51, 305.52, 305.53, 305.57(C), 305.59, 305.60, 305.61, 305.65, 305.67 through 305.71, 337.9(B), (C)(23), (D)(3), (4), (6), (9), (18), (19), (21), (26) through (33), 337.10(C), (I)(2) and (3), (K) and (M), and 6003