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## DIGEST

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HB 578 Reengrossed

2025 Regular Session

Emerson

**Abstract:** Reduces the state sales and use tax rate from 5% to 4.75% under certain circumstances and provides for the base of state and local sales and use taxes.

Present law imposes state sales and use taxes on the sale, use, lease, or rental of tangible personal property and digital products pursuant to the following levies in the following amounts:

- (1) R.S. 47:302 - 2%
- (2) R.S. 47:321 - 1%
- (3) R.S. 47:321.1 - 1%
- (4) R.S. 47:331 - 1%

Present law provides for the reduction in the state sales tax rate from 5% to 4.75% beginning Jan. 1, 2030.

Proposed law retains present law with respect to all of the levies of state sales and use tax except for the 1% tax levied pursuant to R.S. 47:321.1. Proposed law accelerates the reduction in the state sales and use tax rate provided for in this levy from 1% to .75%.

Present law requires the treasurer to deposit in and credit 0.3% of the avails of the 1% state sales tax levied pursuant to R.S. 47:331 for purposes of assisting the state in the promotion of tourism.

Proposed law changes the amount of the dedication to the promotion of tourism from 0.3% of the avails of the 1% state sales tax levied pursuant to R.S. 47:331 to 3% of the avails of the 1% state sales and use tax levied pursuant to R.S. 47:331.

Present law defines a "dealer" as every person who manufactures or produces tangible personal property or digital products for sale at retail, for use, or consumption, or distribution, or for storage to be used or consumed in a taxing jurisdiction. "Dealer" also includes any person who sells for delivery into La. tangible personal property, products transferred electronically, or services, and who does not have a physical presence in La., if during the previous or current calendar year the person's gross revenue for sales delivered into this state exceeded \$100,000 from sales of tangible personal property, products transferred electronically, or services.

Proposed law retains present law but adds digital products to the items that a person sells or delivers into this state by persons who do not have a presence in La. and adds digital products to the sales or transfers that are used in calculating the \$100,000 sales threshold.

Present law provides that state and local sales taxes apply to repairs and maintenance of tangible personal property including the repair and servicing of items such as automobiles, vehicles, boats and vessels, electrical and mechanical appliances and equipment, furniture, rugs, flooring, watches, clocks, jewelry, and refrigerators.

Proposed law retains present law but removes flooring from the list of services subject to state and local sales and use tax.

Present law provides that sales taxes of *any taxing authority* shall apply to the providing of information services including cable television services, direct-to-home satellite services, video programming services, and satellite digital audio radio services, and global positioning system services including driving directions and sports, news, and similar information provided through satellite audio programming services.

Proposed law changes present law by providing that cable television services, direct-to-home satellite services, video programming services provided by cable television and satellite service providers, and satellite digital audio radio services shall only be subject to *state* sales tax.

Proposed law exempts charges for repairs to tangible personal property when the repaired property is delivered to a common carrier or to the U.S. Postal Service for transportation outside the state or delivered outside the state by use of the repair dealer's own vehicle or by use of an independent trucker from sales taxes from any taxing authority. Proposed law further provides that the delivery of aircraft may be made by the best available means and offshore areas shall not be considered another state for the purposes of this exemption.

Proposed law exempts the lease or rental of motor vehicles by licensed motor vehicle dealers or vehicle manufacturers for their use in furnishing leased or rented motor vehicles to their customers in performance of their obligations under warranty agreements associated with the purchase of a motor vehicle or when the applicable warranty has lapsed and the leased or rented motor vehicle is provided to the customer at no charge from sales taxes of any taxing authority.

Present law exempts educational materials or equipment used for classroom instruction by approved parochial and private elementary and secondary schools from the sales and use tax imposed by taxing authorities. Further exempts the sale of admissions to athletic and entertainment events held for or by parochial, and private elementary and secondary schools.

Proposed law retains present law but adds the purchase, lease, or rental of educational materials to the items exempted from sales and use tax. Further extends the exemption for admissions to athletic and entertainment events held at schools to include public schools.

Present law provides that any municipal corporation, parish, sewerage, or water district that enters

into a contract with a private nonprofit company to construct or operate a sewerage or wastewater treatment facility shall be exempt from the same sales tax as the municipal corporation, parish, sewerage, or water district.

Proposed law changes present law to provide that any private nonprofit company that enters into a contract with a municipal corporation, parish, sewerage, or water district to construct or operate a sewerage or wastewater treatment facility shall be exempt from the same sales tax as the municipal corporation, parish, sewerage, or water district.

Present law exempts digital products used by licensed healthcare facilities and providers for storing or transmitting healthcare information or for the diagnosis or treatment of a medical condition from sales taxes imposed by taxing authorities.

Proposed law retains present law but extends the sales tax exemption to computer software or prewritten computer software access services used by licensed healthcare facilities and providers for storing or transmitting healthcare information or for the diagnosis or treatment of a medical condition.

Proposed law adds exemptions from sales taxes imposed by taxing authorities for the following:

- (1) Admission charges for, outside gate admissions to, or parking fees associated with, events sponsored by domestic, civic, educational, historical, charitable, fraternal, or religious organizations, which are nonprofit, when the entire proceeds, except for necessary expenses are used for educational, charitable, religious, or historical restoration purposes. (R.S. 47:305.14)
- (2) Purchases by a nonprofit organization which conducts a comprehensive program on sickle cell disease which includes free education, free testing, free counseling, and free prescriptions, transportation, and food packages for sickle cell patients. (R.S. 47:305.21)
- (3) Sales of construction materials for Habitat for Humanity. (R.S. 47:305.22)
- (4) Purchases by qualifying radiation therapy treatment centers for or software used to operate capital equipment. (R.S. 47:305.64)

Present law provides for a state sales and use tax exemption for the sale, purchase, lease, or the importation of motor vehicles, trailers, or semitrailers as defined in present law stored, used, or consumed in this state exclusively for lease or rental, provided that the gross proceeds derived from the lease or rental of the property not previously taxed shall be at reasonable market rates.

Proposed law retains present law but extends the exemption to local sales and use taxes thereby making the exemption applicable to taxes levied by all taxing authorities.

Proposed law authorizes a taxpayer to claim a refund of sales tax paid on sales transactions which

occurred between Jan. 1, 2025, and the effective date of proposed law that are exempted pursuant to proposed law. In these cases, the taxpayer shall first request a refund from the vendor who charged and collected the sales tax. Vendors may then claim a refund from the secretary upon evidence that the sales tax has been refunded to the taxpayer. If a taxpayer is unable to obtain a refund from the vendor, the taxpayer may then claim a refund from the secretary. No interest on refunds shall accrue or be paid by the secretary on transactions exempted pursuant to proposed law. This Section shall only apply to.

Proposed law provides for establishment of the Local Revenue Fund as a special fund in the state treasury (hereinafter "fund"). After allocation of money to the Bond Security and Redemption Fund as provided for in present constitution, the treasurer is required to deposit in and credit to the fund the avails of the additional 5% tax levied in present law on telecommunications services, cable televisions services, direct-to-home satellite services, video programming services, and satellite digital audio radio services in this state and any other revenue dedicated to the fund by the legislature.

Proposed law requires monies in the fund to be used solely for distribution to ad valorem tax recipient bodies within a parish to offset losses attributable to business inventory exemptions to the ad valorem tax granted by a parish.

All provisions of proposed law except those with respect to accelerating the reduction in the state sales tax levied pursuant to R.S. 47:321.1 from 1% to .75% shall be applicable to taxable periods beginning on or after Jan. 1, 2025.

Proposed law with respect to accelerating the reduction in the state tax levied pursuant to present law (R.S. 47:321.1) from 1% to .75% is effective if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 472 of this 2025 R.S. of the Legislature is adopted at a statewide election and becomes effective.

All other provisions of proposed law is effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:301(3)(a), (4)(k)(i), (10), (13)(a), (16)(d), (18)(a) and (c)(i), and (27)(x)(ix), 301.1(F), 301.3(7)(a) and (10)(a), 305.2(A)(5), 305.6(1) and (5), 305.7(A)(2), 305.12(D), 305.33, 305.36(A), (B), and (C)(1), 305.75(A), 321(A), 321.1(A), (B), and (C) and 331(A) and (B) and R.S. 51:1286(A); Adds R.S. 39:100.118 and R.S. 47:301.3(11), 305(E)(4) and (L), 305.14, 305.21, 305.22, and 305.64; Repeals R.S. 47:301.6(B) and (C) and 321.1(E))

#### Summary of Amendments Adopted by House

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

1. Remove provisions in proposed law relative to prohibiting fees or taxes from being imposed or levied on nongaming incentives or inducements granted by a licensee to a

- patron on a complimentary basis.
2. Remove the repeal of the provisions of present law relative to lease agreements for the rental of certain trucks and trailers wherein the lessor is authorized to retain taxes collected on these leases.
  3. Extend the sales tax exemption for digital products used by licensed healthcare facilities and providers for storing or transmitting healthcare information or for the diagnosis or treatment of a medical condition to computer software or prewritten computer software access services.
  4. Make technical changes.

The Committee Amendments Proposed by House Committee on Appropriations to the engrossed bill:

1. Add establishment of the Local Revenue Fund to which deposits of the avails of the additional 5% state tax levied on telecommunications services, cable televisions services, direct-to-home satellite services, video programming services, and satellite digital audio radio services in this state shall be used to offset losses attributable to business inventory exemptions to ad valorem tax granted by parishes.
2. Remove the repeal of provisions in present law relative to prohibiting fees or taxes from being imposed or levied on nongaming incentives or inducements granted by a licensee to a patron on a complimentary basis.
3. Accelerate the reduction in the state sales tax levied pursuant to present law (R.S. 47:321.1) from 1% to .75% subject to statewide adoption and effectiveness of the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 472 of this 2025 R.S. of the Legislature.
4. Add limitation that all provisions of proposed law except those with respect to accelerating the reduction in the state sales tax levied pursuant to R.S. 47:321.1 from 1% to .75% shall be applicable to taxable periods beginning on or after Jan. 1, 2025.
5. Direct the La. State Law Institute to change references in present law that dedicate portions of the state tax levied on the service of renting sleeping rooms, cottages, or cabins by hotels from R.S. 47:301(14)(a) to R.S. 47:301.3(1).