
DIGEST

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HB 94 Original

2016 First Extraordinary Session

Montoucet

Abstract: Provides for the extent of state sales and use taxes on business utilities.

Present law imposes a 4% state sales tax on the sale, use, consumption, and storage of tangible personal property.

Present law excludes the following property by definition from the tax base:

- (1) Sales of electricity for chlor-alkali manufacturing processes.
- (2) Pelletized paper waste used as combustible fuel by manufacturers.
- (3) Butane and propane.
- (4) Steam.
- (5) Water, other than mineral water, carbonated water, or water within a bottle or other receptacle.
- (6) 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.
- (7) Natural gas.
- (8) All energy sources when used for boiler fuel, other than refinery gas.
- (9) Utilities used by steelworks, blast furnaces, coke ovens, or rolling mills.

Proposed law removes the exclusions listed above from the definitions for sales and use tax, and instead re-establishes the special tax treatment as a tax exemption for the same property.

Proposed law specifies that the exclusion for butane and propane is applicable to residential use only.

Proposed law provides for the extent of the new exemption based on the Natural Gas Spot Price at Henry Hub (nominal dollars per million BTU) adopted by the Energy Information Administration which is published in the Annual Energy Outlook report. For purchases of business utilities on or

after April 1, 2016, through Dec. 31, 2016, the price of natural gas used for purposes of the exemption shall be the price published in the Feb. 2016 edition of the Annual Energy Outlook report. For purchases of business utilities on and after Jan. 1, 2017, and for the ensuing 12 calendar months the price shall be the price published in the Annual Energy Outlook report.

Proposed law establishes the following price thresholds for the extent of the exemption:

- (1) No exemption if the price of natural gas is at or below \$4.50 per million BTU.
- (2) If the price of natural gas is above \$4.50 per million BTU and at or below \$5.50 per million BTU, then 80% of the sales price of business utilities shall be subject to state sales tax.
- (3) If the price of natural gas is above \$5.50 per million BTU and at or below \$6.50 per million BTU, then 60% of the sales price of business utilities shall be subject to state sales tax.
- (4) If the price of natural gas is above \$6.50 per million BTU and at or below \$7 per million BTU, then 40% of the sales price of business utilities shall be subject to state sales tax.
- (5) If the price of natural gas is above \$7 per million BTU, then 20% of the sales price of business utilities shall be subject to the state sales tax.

Proposed law applicable for all taxable periods beginning on and after April 1, 2016.

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

(Amends R.S. 47:301(10)(n) and (x) and (13)(m), 305(D)(1)(b) through (d), (g), and (h), and 305.51(A); Adds R.S. 47:305.72; Repeals R.S. 47:301(3)(j), (10)(c)(i)(bb), (c)(ii)(aa), (z), and (bb), and 18(l))