

RULE

**Department of Revenue
Policy Services Division**

**Exemption for Ships and Ships' Supplies
(LAC 61:I.4403)**

Under the authority of R.S. 47:305.1 and R.S. 47:1511 and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the Department of Revenue, Policy Services Division, has amended LAC 61:I.4403 relative to the exemption for ships and ships' supplies.

These amendments are necessary due to changes made to R.S. 47:305.1 by Acts 40 and 41 of the 2002 Regular Legislative Session and legal jurisprudence since the Rule's adoption. These amendments supersede any internal Policy and Procedure Memoranda or other oral or written instructions issued prior to Acts 40 and 41.

Title 61

REVENUE AND TAXATION

**Part I. Taxes Collected and Administered
by the Secretary of Revenue**

Chapter 44. Sales and Use Tax Exemptions

4403. Ships and Ships' Supplies

A. To qualify for exemption under R.S. 47:305.1(A), materials, machinery, and equipment that become component parts of ships, vessels, or barges of 50 tons load displacement and over, built in Louisiana, must be added during construction or reconstruction. Materials, machinery, and equipment that replace worn components are not exempt under R.S. 47:305.1(A).

B. Reconstructions qualify for exemption under R.S. 47:305.1(A) if they:

1. modify the craft's function, such as conversion of a deck barge to a crane barge; or
2. restore the craft to seaworthiness following its destruction by sinking, collision, or fire.

C. 1. For the purposes of the exemption provided in R.S. 47:305.1(B), vendors may assume that ships' supplies and materials delivered to the dock will be loaded upon the vessel for use or consumption in the maintenance of the vessel.

2. The exemption provided in R.S. 47:305.1(B) for repair services performed upon ships and vessels operating exclusively in foreign or interstate coastwise commerce also applies to component parts removed from those ships, vessels, or barges and repaired elsewhere.

D. For the purposes of the exemption granted under R.S. 47:305.1, the following definitions apply.

Commerce—the transporting of goods or persons by ship, vessel, or barge exclusively to carry on a trade or business.

Load Displacement—the weight of the volume of water displaced by a ship, vessel, or barge when loaded to its maximum capacity.

Owner or Operator—any person who has title to, possession of, or control over the operation of any ship, vessel, or barge defined in R.S. 47:305.1.

Ship, Vessel, or Barge—any craft used primarily for transporting persons or property by water, or any craft designed or altered to perform specialized marine-related services, such as dredging, fleeting, geological surveying, cargo transferring, and which possesses all of the following characteristics:

- a. performs its services in navigable waters;
- b. is capable of being moved by floatation from one location to another in navigable waters; and
- c. is registered as a vessel with the United States Coast Guard or is eligible for registration.

Ships' Supplies and Materials—all tangible personal property loaded on and used or consumed in the maintenance or operation of a ship, vessel, or barge and its crew.

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:305.1.

HISTORICAL NOTE: Promulgated by the Department of Revenue and Taxation, Sales Tax Section, LR 13:107 (February 1987), amended by Department of Revenue, Policy Services Division, LR 30:1044 (May 2004).

Raymond E. Tangney
Senior Policy Consultant

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