

Revenue Information Bulletin No. 18-031
November 29, 2018
Sales and Use Tax

Use Tax on Tractors and Other Equipment Purchased Out of State

The purpose of this guidance is to remind taxpayers, specifically those purchasing tractors and other equipment out of state, that use tax is due on out of state purchases unless specifically exempt by statute.

Use Tax on Out of State Purchases

Louisiana taxpayers may purchase tangible personal property in another state and transport the tangible personal property to Louisiana to use, consume, distribute, or store for use or consumption within Louisiana. If the taxpayer did not pay sales tax at the time of purchase, the taxpayer will generally owe use tax on the purchase price of the item as provided by LA R.S. 47:302(K).

The purpose of use tax is to prevent retailers located out of state from having an unfair competitive advantage against Louisiana retailers who are required to collect sales tax. These retailers include out of state tractor supply stores, agricultural cooperatives (i.e. co-ops), and other wholesale or retail stores. If the out of state retailer does not collect sales tax, the taxpayer is responsible for paying the use tax on the purchase.

Common Out of State Taxable Purchases

Taxpayers may purchase the following items out of state, online, or through a catalog, including but not limited to:

1. Tractors, machinery, and equipment purchased from an out of state dealer
2. Tools, supplies, and computer software purchased through the Internet or from a mail order catalog
3. Machinery and equipment purchased at an out of state auction

If the seller did not collect sales tax at the time of purchase, tax must be paid by the taxpayer in the form of use tax for the use of the purchased item in Louisiana.

Amount and Payment of Use Tax – In General

When sales tax is not paid at the time of purchase, use tax must be paid by the taxpayer to the Louisiana Department of Revenue (“Department”). The use tax rate is 9.00% for purchases made out of state and transported into Louisiana on or before June 30, 2018. For purchases made out of

state and transported into Louisiana on or after July 1, 2018, the use tax rate is 8.45%. This amount does not change regardless of where the taxpayer resides or where the purchased items are used, consumed, distributed, or stored for use or consumption within Louisiana.

Additionally, the 8.45% is distributed among the state and local governments. Therefore, the taxpayer does not need to file a separate return or pay an additional amount of use tax to the local government where the taxpayer resides.

Taxpayers may pay the use tax to the Department by one of two methods:

1. Form R-1035, *Consumer Use Tax Return*

Taxpayers may pay the use tax at any time during the calendar year following a purchase in which sales tax was not collected.

2. Form IT-540, *Individual Income Tax Return*

If the Form R-1035 is not used, the taxpayers must report the purchases and pay the use tax on his or her Louisiana individual income tax return.

Amount and Payment of Use Tax – Registered Dealers

If the taxpayer is a registered dealer with the Department, the taxpayer must pay the use tax no later than the 20th of the month following the purchase. The use tax amount is 4.45% and is remitted to the Department. The taxpayer must remit the use tax on Form R-1029, *Sales Tax Return*, on Line 2.

Taxpayers who are registered dealers must also file local sales tax returns and remit use tax to the local jurisdiction where the purchase is used, consumed, distributed, or stored for use or consumption within Louisiana.

Credit for Taxes Paid

If sales or use tax was previously due and paid in another state, the taxpayer may take a credit for the amount of tax paid against the amount of use tax owed in Louisiana. In order to prove payment of sales or use tax, the taxpayer is advised to keep records for all items on which a tax was paid, such as a purchase invoice, a use tax return, or a copy of the cancelled check.

Assessments for Failure to Pay Use Tax

Taxpayers who do not pay use tax will be assessed the use tax in addition to penalties and interest by the Department.

Example

Taxpayer purchases a \$75,000 tractor from a tractor dealer located in southern Mississippi on September 21, 2018. The tractor dealer does not collect Mississippi sales tax at the time of purchase. Taxpayer transports the tractor to Tangipahoa Parish, Louisiana, on September 23, 2018. Taxpayer is not a commercial farmer and the tractor is used for personal purposes.

Taxpayer is not a registered dealer with the Department. Taxpayer must remit the \$6,338 (\$75,000 purchase price x 8.45% use tax) using one of the two methods mentioned in the “Amount and Payment of Use Tax – In General” section above.

Questions concerning this publication may be directed to sales.inquiries@la.gov.

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Secretary