

Revenue Information Bulletin
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Sales Tax

**New Exemption Enacted for Repair Materials and Services to Offshore Drilling Rigs,
Machinery, and Equipment**

In Act No. 31 of the 2002 Regular Session, the Louisiana Legislature enacted Revised Statute 47:305(I) to provide a new state and local sales and use tax exemption for materials, services and supplies for the repair, renovation, and servicing of offshore drilling rigs. The new statute was effective July 1, 2002, and provides:

The sales and use taxes imposed by the State of Louisiana or any of its political subdivisions shall not apply to the labor, or sale of materials, services, and supplies, used for repairing, renovating or converting of any drilling rig, or machinery and equipment which are component parts thereof, which is used exclusively for the exploration or development of minerals outside the territorial limits of the state in Outer Continental Shelf waters. For the purposes of this Subsection, "drilling rig" means any unit or structure, along with its component parts, which is used primarily for drilling, workover, intervention or remediation of wells used for exploration or development of minerals. For purposes of this Subsection, "component parts" means any machinery or equipment necessary for a drilling rig to perform its exclusive function of exploration or development of minerals.

Louisiana sales tax was never imposed on repair services performed in the Outer Continental Shelf (OCS) to property located in the OCS. However, until July 1, 2002, repair services performed in Louisiana to property brought into the state from drilling rigs in the OCS were taxable under R.S. 47:301(14)(g), even when repair dealers delivered the property to the OCS. R.S. 47:301(14)(g) defines "the furnishing of repairs to tangible personal property" as taxable "sales of services", and specifically provides that offshore areas shall not be considered another state for purposes of the exclusion from the tax levy on repair services to property delivered to customers in other states.

Beginning July 1, 2002, the newly enacted R.S. 47:305(I) supersedes this provision of R.S. 47:301(14)(g). Services rendered in Louisiana to repair, renovate, or convert drilling rigs or their component machinery and equipment brought into Louisiana from the Outer Continental Shelf will not be subject to the sales tax, provided that the repaired property is returned to the OCS rigs and that the rigs, machinery, and equipment are used exclusively for the exploration or development of minerals. This exemption will apply regardless of whether the repaired property is delivered to the OCS by the repair dealer, the customer, or another person.

Questions concerning these matters can be directed to the Taxpayer Services Division at 225/219-7356.

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