



**Revenue Information Bulletin
No. 05-032
November 29, 2005
Sales Tax**

State Sales Tax Holiday Scheduled December 16-18, 2005

Act 9 of the 2005 First Extraordinary Session of the Louisiana Legislature, the “2005 Louisiana Sales Tax Holiday Act”, provides an exemption from state sales tax during the three-day period December 16 through December 18, 2005, on the first \$2,500 of the purchase price of most individual items of tangible personal property. The state sales tax is payable on the portion of the purchase price of any individual item in excess of \$2,500.

Purchases Eligible for Exemption

The exemption will apply statewide to all consumer purchases of tangible personal property, other than vehicles subject to license and title and meals furnished for consumption on the premises where purchased, including to-go orders, provided that the property is not for use in a business, trade, or profession. For business-use purchases, the Act authorizes the state sales tax exemption during the holiday only on purchases by those businesses that are located in Hurricane Katrina or Hurricane Rita Federal Emergency Management Agency (FEMA) Individual Assistance Areas who will acquire property to replace property that was damaged, destroyed or lost as a result of conditions created by the two hurricanes. Eligible business purchasers must apply to the Department of Revenue and receive “Sales Tax Holiday Exemption Certificates” in order to be able to make tax-free purchases of replacement property.

Purchases That Are Not Eligible

In addition to the specific exclusions in the Act for vehicles and meals, the state sales tax holiday will also not apply to purchases of taxable services (hotel occupancy; amusement, recreational, and athletic admissions; repairs to tangible personal property; laundry, cleaning, pressing, and dyeing services; vehicle parking; the furnishing of cold storage space; printing services; and telecommunication services) or to leases or rentals of tangible personal property.

No Holiday for Local Taxes

The holiday will apply to the 4 percent state sales tax, but will not apply to the sales taxes levied by parishes, municipalities, school boards, and other political subdivisions of the state.

Conditions for Exemption

A customer will be eligible for the sales tax exemption if during the period December 16 through December 18, 2005:

- He/she buys and accepts delivery of eligible property;
- He/she places property on layaway;
- He/she acquires property that was previously placed on layaway; or
- He/she places an order for immediate delivery, even if delivery must be delayed, provided that the customer has not requested delayed shipment.

Special Provisions

The Act provides that:

- The exemption is allowed on both inputs to and withdrawals from layaway;
- Purchases during the holiday with “rain checks” issued before the three-day holiday are eligible for exemption, but purchases after the holiday with “rain checks” issued during the holiday are not eligible for exemption.
- Orders for immediate shipment are eligible for exemption even if the shipment is after the holiday, provided that the customer does not request delayed shipment.
- The post-holiday exchange of merchandise to effectuate changes in size, color, or correction of defects does not create a tax liability, but exchanges after the holiday for dissimilar items will be considered the purchase of new property on which the sales tax will be payable.
- Items that are normally sold as a unit, such as dining tables and chairs, cannot be individually priced for the purpose of creating a separate eligibility cap for each individual item.
- For a 60-day period after the holiday, dealers who issue refund or credit for the return of merchandise that was eligible for sales tax exemption during the holiday can issue refund or credit for the state sales tax on that returned merchandise only if the customers returning the property have receipts showing that the tax was actually paid on the original purchases, or the dealers are otherwise able to document that the state sales tax was paid on the original purchases.

Cash Register Reprogramming Credit

Act 386 of the 1990 Regular Session of the Louisiana Legislature provides that dealers who incur costs to reprogram cash registers, including computer programming, as a result of a change in the state sales and use tax rate or base shall be allowed credits on their sales tax returns of up to \$25 for each cash register reprogrammed. Dealers are allowed to claim credit only for reprogramming costs invoiced to them by external providers of services, but not for internal reprogramming services rendered within their businesses by such internal persons as owners, officers, partners, or employees.

Dealers whose point-of-sale cash registers are controlled from host computers can deduct the costs invoiced by external service providers to reprogram tax rate or base information in those computers, not to exceed \$25 times the number of cash registers controlled from the host computers. For example, a dealer or merchant whose host computer controls 20 point-of-sale cash registers can claim credit for up to \$500 in charges for reprogramming services associated with a change in the state sales tax rate or base.

Dealers who do not use point-of-sale cash registers, but who instead issue printed or electronic invoices on which the invoiced tax amounts are determined from tax rate or base information housed in their computers, can deduct up to \$25 in external reprogramming costs for each computer that must be reprogrammed because of a change in the state sales tax rate or base.

The credit is deductible on Line 12A of the state sales and use tax return. Copies of invoices from external service providers must be attached to the tax return to support the amount of credit claimed. More detailed information about the reprogramming credit is available from Revenue Information Bulletin No. 03-009 that can be accessed from the department's web site at <http://www.revenue.louisiana.gov/forms/lawspolicies/RIB03009.pdf>.

Return Filing Procedures

Retailers should report exempt sales on Line 33 of the Sales Tax Return (R-1029) and write the words "Sales Tax Holiday" as the explanation.

Applications for Business Exemption

Businesses that are located in Hurricane Katrina or Hurricane Rita Federal Emergency Management Agency (FEMA) Individual Assistance Areas who plan to acquire property during the holiday to replace property that was damaged, destroyed or lost as a result of conditions created by the two hurricanes can secure applications for "Sales Tax Holiday Exemption Certificates" from any of the department's offices or by downloading the application at [http://www.revenue.louisiana.gov/forms/taxforms/1017\(12_05\)F.pdf](http://www.revenue.louisiana.gov/forms/taxforms/1017(12_05)F.pdf).

Questions concerning this matter can be directed to the Taxpayer Services Division at 225.219.7356.

Cynthia Bridges
Secretary