



Revenue Information Bulletin

No. 09-014

June 23, 2009

Sales Tax

Rate of State Sales Tax on Most Suspended Sales Tax Exemptions to Be Reduced to 1 Percent, Effective July 1, 2009

Nonresidential Purchases of Electricity, Natural Gas, Water Utility Service, and Steam to Be Restored to Full Exempt Status

The rate of state sales tax applicable to most state sales tax exemptions that have been fully suspended by Act 4 of the 2004 First Extraordinary Session of the Louisiana Legislature through June 30, 2009, will be reduced on July 1, 2009, to 1 percent. Although the temporary suspensions of exemptions by Act 4, totaling 3 percent in rate, will expire by their original enactment provisions, such expiration will not affect the remaining 1 percent tax on exemptions that are permanently authorized by R.S. 47:321(H).

The rate of state sales tax on nonresidential sales and purchases of electricity and natural gas will be reduced on July 1, 2009, from 2.3 percent to full exempt status, and the rate on nonresidential sales of steam and water will be reduced to full exempt status from the current 2.8 percent. The 1 percent tax does not apply to these sales, as provided by R.S. 47:321(K).

Exemptions that will be subject to the 1 percent tax include the following:

- purchases by pari-mutuel race tracks, R.S. 4:168;
- purchases by off-track betting facilities, R.S. 4:227;
- Purchases by nonprofit electrical cooperatives, R.S. 12:425;
- Purchases by the Louisiana Insurance Guaranty Association, R.S. 22:1389;
- Sales of feed and feed additives for animals used for business purposes, R.S. 47:305(A)(4)(b)(ii);
- Sales of materials, supplies, equipment, fuel, and bait used in the production and harvesting of crawfish, R.S. 47:305(A)(5);
- Sales of materials, supplies, equipment, fuel, and bait and related items other than vessels used in the production and harvesting of catfish, R.S. 47:305(A)(6);
- Energy sources, other than those discussed above, used to fuel the generation of electric power for resale or used by an industrial manufacturing plant for self-consumption or cogeneration, R.S. 47:305(D)(1)(d). Statutory product sales tax exemptions for natural gas, steam, water, and electricity are in full effect as of July 1, 2009, regardless of the uses made of these products. The taxation of refinery gas is specifically provided for by R.S. 47:301(3)(f), 301(13)(d), and 301(18)(d)(iii).
- All energy sources, other than the natural gas, steam, water and electricity discussed above, when used for boiler fuel, R.S. 47:305(D)(1)(h). Statutory product sales tax exemptions for

natural gas, steam, water, and electricity are in full effect as of July 1, 2009, regardless of the uses made of these products. The taxation of refinery gas is specifically provided for by R.S. 47:301(3)(f), 301(13)(d), and 301(18)(d)(iii).

- New automobiles, trucks, and aircraft removed from inventory for use as demonstrators, R.S. 47:305(D)(1)(i)
- Sales of adaptive driving equipment and motor vehicle modifications that are prescribed by physicians, licensed chiropractors, or driver rehabilitation specialists licensed by the state, R.S. 47:305(D)(1)(u);
- Sales of meals to the staff and students of educational institutions, to the staff and patients of hospitals, to the staff, inmates, and patients of mental institutions, and to boarders of rooming houses and occasional meals furnished by educational, religious, or medical organizations in facilities not open to outsiders or the general public, R.S. 47:305(D)(2);
- Amounts paid by radio and television broadcasters for the rights to broadcast film, video, and tape, R.S. 47:305(F);
- Sales of admission tickets by Little Theater organizations, R.S. 47:305.6;
- Sales of tickets to musical performances of nonprofit musical organizations, R.S. 47:305.7;
- Rentals of motion picture films to commercial theaters, R.S. 47:305.9;
- Sales of admissions to entertainment events sponsored by domestic nonprofit charitable, religious, and educational organizations, R.S. 47:305.13;
- Sales of outside gate admissions to grounds and parking fees at fairs and festivals sponsored by recognized nonprofit organizations chartered under the State of Louisiana, R.S. 47:305.18;
- Leases of vessels for use offshore for the production of oil, gas, sulphur, and other minerals or for the providing of services to those engaged in such production, R.S. 47:305.19;
- The first \$50,000 of the sales price of farm implements used for agricultural purposes in the production of food and fiber, other than rubber tired farm tractors, cane harvesters, cane loaders, cotton pickers, combines, haybalers, and attachments and to those implements, including clippers, cultivators, discs, plows, spreaders, and sprayers. The rubber tired farm tractors, cane harvesters, cane loaders, cotton pickers, combines, haybalers, and attachments to those implements, including clippers, cultivators, discs, plows, spreaders, and sprayers continue to be fully exempt from the sales tax on the first \$50,000 of their sales prices, as provided by R.S. 47:305.25(A)(1) and (2) and 321(H). The 1 percent tax is due on the first \$50,000 of the sales prices of farm implements other than those listed in R.S. 47:305.25(A)(1) and (2), because of the continued partial suspension of the exemption provided by R.S. 47:305.25(A)(4).
- Sales of on the farm facilities used to dry or store grain or any materials used to construct such on the farm facilities, R.S. 47:305.25(A)(5);
- Vehicles furnished by a dealer in new vehicles when withdrawn from inventory and furnished to a secondary school, college, or public school board on a free loan basis for

exclusive use in a driver education program accredited by the Louisiana Department of Education, R.S. 47:305.26;

- Purchases of materials for the construction and operation of nonprofit retirement centers, R.S. 47:305.33;
- Leases of motor vehicles, trailers, or semi-trailers, as defined by R.S. 47:451, that will be stored, used or consumed in Louisiana exclusively for lease or rental, R.S. 47:305.36;
- Purchases, sales, and rentals of tangible personal property by Ducks Unlimited and Bass Life Associates, R.S. 47:305.41;
- Tickets to dance, drama, or performing arts performance sponsored by domestic nonprofit organizations, R.S. 47:305.42;
- Purchases and sales made by nonprofit organizations dedicated exclusively to the conservation of migratory North American waterfowl and wetland habitat of the conservation of fish, R.S. 47:305.43(A);
- Purchases of certain materials for use in commercial printing processes, R.S. 47:305.44;
- The sale or use of pharmaceutical samples approved by the U.S. Food and Drug Administration that are manufactured in the state or imported into the state for distribution without charge to physicians, dentists, clinics, or hospitals, R.S. 47:305.47;
- Catalogs distributed in the state free of charge, R.S. 47:305.49;
- Materials used in the restoration, renovation, or rehabilitation of existing structures or in new housing construction in certain designated areas, R.S. 47:315.2, 40:582.1-40:582.7, 47:1515, and 33:2718.3;
- Antique airplanes held by private collectors and not being used for commercial purposes, R.S. 47:6001.

Transactions Not Affected

Many exempt transactions provided for in the state sales tax law and other statutes are not affected by the suspension of exemptions provided for by R.S. 47:321(H), either because R.S. 47:321(H) specifically excludes the exempting statutes from suspension or because the Legislature enacted the exempting statutes subsequent to the July 1, 2002, effective date of R.S. 47:321(H). These transactions will continue to be fully exempt from the state sales tax. They include:

- Sales in and admissions to state-owned domed stadiums and similar facilities, R.S. 39:467-468;
- Sales of farm products direct from the farm by producers, R.S. 47:305(A)(1);
- Farm products produced by farmers and used by farmers and their families, R.S. 47:305(B);
- Sales of fertilizer and containers to farmers, R.S. 47:305(D)(1)(f);
- Drugs prescribed by physicians and dentists, R.S. 47:305(D)(1)(j);

- Orthotic devices, including prescription eyeglasses and contact lenses, and prosthetic devices and wheelchairs and wheelchair lifts prescribed by physicians, optometrists, or licenses chiropractors for personal consumption or use, R.S. 47:305(D)(1)(k);
- Ostomy, colostomy, ileostomy devices, and equipment, R.S. 47:305(D)(1)(l);
- Patient aids prescribed by a physician or licensed chiropractor for home use, R.S. 47:305(D)(1)(m);
- Medical devices used exclusively by the patient in the medical treatment of various diseases or administered exclusively to the patient by a physician, nurse, or other health care professional or health care facility in the medical treatment of various diseases under the supervision of and prescribed by a licenses physician, R.S. 47:305(D)(1)(s);
- Restorative materials used by dentists, R.S. 47:305(D)(1)(t);
- Purchases and rentals, under physician prescription of kidney dialysis machines, equipment and supplies for home use, R.S. 47:305(G);
- Sales and use of 50-ton vessels and new component parts and sales of certain materials and services to vessels operating in foreign and interstate coastwise commerce, R.S. 47:305.1;
- Sales of insulin, R.S. 47:305.2;
- Sales of seeds to farmers, R.S. 47:305.3;
- Sales of pesticides to be used for agricultural purposes, R.S. 47:305.8;
- Property purchased for exclusive use offshore, R.S. 47:305.10;
- Admissions, parking fees, and sales of tangible personal property at certain fund-raising events sponsored by qualifying organizations, R.S. 47:305.14;
- Sales by blind persons who operate certain small businesses, R.S. 47:305.15;
- Purchases of fishing boats, supplies, fuel, lubricants and repairs for the boats owned and operated by licensed commercial fishermen, R.S. 47:305.20;
- Sales of diesel fuel, butane, propane, or other liquefied petroleum gases to farmers, R.S. 47:305.37;
- Sales or purchases by sheltered workshops for the mentally retarded licensed by the Louisiana Department of Health and Hospitals, R.S. 47:305.38;
- Purchases with USDA food coupons and WIC vouchers, R.S. 47:305.46;
- The sale or use of trucks of 26,000 pounds or more and trailers that are used at least 80 percent of the time in interstate commerce, and of certain qualifying trucks and trailers, R.S. 47:305.50(A)(1) and (2);
- The sale or use of contract carrier busses used at least 80 percent of the time in interstate commerce, R.S. 47:305.50(B);
- Sales and leases of railroad rolling stock, and sales of parts and services used in the fabrication, modification, or repair of railroad rolling stock, R.S. 47:305.50(E);
- Sales of utilities used by steelworks and blast furnaces, R.S. 47:305.51;

- Sales to certain sickle cell disease organizations, R.S. 47:305.53;
- Sales during the designated August general state sales tax holiday, R.S. 47:305.54;
- Sales under certain conditions of off-road vehicles to out-of-state residents, R.S. 47:305.56;
- Sales of original one-of-a-kind art work in designated cultural product districts, R.S. 47:305.57;
- Sales of certain hurricane-preparedness during the May designated sales tax holiday, R.S. 47:305.58;
- Sales to Habitat for Humanity, R.S. 47:305.59; and
- Sales of certain water conservation equipment for use in the Sparta Groundwater Conservation District, R.S. 47:305.60 and 47:305.61.

Food for Home Consumption, Residential Utilities

Sales of food for home consumption are exempt from state sales tax, as provided by Article VII, Section 2.2 of the Louisiana Constitution. This constitutionally provided exemption will continue, and will not be subject to the 1 percent tax.

Questions concerning the collection of the sales tax on suspended exemptions can be directed to the Taxpayer Services Division in Baton Rouge at 225.219.7356.

Cynthia Bridges
Secretary

Historical Note: This Revenue Information Bulletin has been changed since its original issuance on June 23, 2009. The changes are to two bulleted items on Page 1. The changes make clear that the statutory product sales tax exemptions for natural gas, steam, water, and electricity are in full effect as of July 1, 2009, regardless of the uses made of these products. The use of natural gas or steam as boiler fuel or for electricity generation does not cause these products to become subject to a 1 percent sales tax based on the partial suspension of state sales tax exemptions by R.S. 47:321(H).

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