

**Revenue Information Bulletin 16-016**

**Sales Tax**  
**April 19, 2016**

**Contracts Prior to and Within Ninety Days of a New Tax Levy**

[Louisiana Revised Statute 47:305.11](#) relates to construction contracts which are entered into and reduced to writing prior to or within ninety days of an increase of sales and use tax. This legislation was passed by Act 7 of the Regular Session of 1970 and is intended to protect those who had incurred obligations on construction contracts on the basis of existing sales tax rates.

The statute provides as follows:

A. No new or additional sales or use tax shall be applicable to sales of materials or services involved in lump sum or unit price construction contracts entered into and reduced to writing prior to the effective date of the statute or ordinance levying same or to sales or services involved in such contracts entered into and reduced to writing within ninety days thereafter, if such contracts involve contractual obligations undertaken prior to such effective date and were computed and bid on the basis of sales taxes at the rates effective and existing prior to such effective date.

B. This section shall apply to sales and use taxes now or hereafter levied by the State of Louisiana or by any parish, municipality or other political subdivision thereof, whether such levy is under authority of general or special laws of the state or under powers granted in local charters or under any other authority or grant of the power to levy and collect sales or use taxes.

Application of La. R.S. 47:305.11

This provision applies only to the sale of materials or services involved in a lump sum or unit price contract, after the contractor has become liable for performance and completion of a contract, which did not provide for new or additional taxes. This provision does not apply to contracts entered into on a cost plus or fixed fee basis. It also requires that the contract be entered into prior to the effective date of the statute or ordinance levying the new tax.

This provision also applies to sales and services involved in a lump sum or unit price construction contract reduced to writing within ninety days after the effective date of a statute levying a new tax, but only if the contractor had a contractual obligation entered into prior to the effective date. This ninety day period is intended to cover a situation where a contractor has computed and bid a contract on the basis of existing taxes prior to the effective date of the new tax, but where awarding of the contract and formal signing thereof do not take place prior to the

effective date of the new tax but does take place within ninety days after the effective date of the new tax

Contracts meeting all of the requirements set forth in La. R.S. 47:305.11 will not be subject to the new 1% increase in tax pursuant to La. R.S. 47:321.1. This state sales tax increase is effective April 1, 2016 as provided by Act 26 of the 2016 First Extraordinary Session of the Louisiana Legislature.

Those contractors who have entered lump sum or unit price construction contracts meeting the requirements of La. R.S. 47:305.11 should complete Form R-1075 and attach a copy of the contract containing the signatures of all parties.

Form R-1075 and the attached contract should be mailed to:

Louisiana Department of Revenue  
Taxpayer Compliance – SSEW  
P.O. Box 66362  
Baton Rouge, LA 70821

Questions concerning Revenue Information Bulletin 16-016 can be directed to [sales.inquiries@la.gov](mailto:sales.inquiries@la.gov).

Kimberly Lewis Robinson  
Secretary

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