

**Revenue Ruling
No. 07-004
August 20, 2007
Sales and Use Tax**

Taxation of Outdoor Signage

This revenue ruling addresses the applicability of the state sales taxes to the manufacture and sale of outdoor signs and related questions.

Issues

What types of signs are subject to sales taxes, who pays the taxes, and when are taxes paid?

Analysis

Outdoor signage takes many forms, and is installed in various ways. Tax consequences are dependent upon whether or not the sign can be considered movable or immovable.

Signs affixed to a building

Under the standards which determine whether property affixed to a building is movable or immovable, a sign affixed to a building that can be removed without materially defacing the building is classified as a movable. Therefore, the sale of the sign is subject to collection and remittance of sales taxes. Charges for installing or attaching the sign to the building would be exempt from tax under the definition of "Sales Price", R.S. 47:301(13)(a), if separately stated on the invoice.

Most signs, though affixed to a building with screws or compounds, will be considered movable. "Halo Lit" signs and "Neon Channel" signs, though seemingly attached to a building or structure, are capable of being removed without substantial damage to the building, and are changed whenever a new enterprise occupies and makes use of the structure to which they are affixed. Therefore, they are not considered immovable, and as movables, are subject to sales tax.

Signs placed on pylons

Signs placed on pylons as part of a sign package or as an individual sign are subject to sales taxes. The pylons are imbedded into the ground, and the signage may be removed and/or replaced on the pylon at will.

Act. No. 765 of the 2006 Regular Session amended Art. 466 of the Civil Code, altering the application accorded things classified as "component parts" and "other things". The effect of this legislation is to decrease the instances where property will be considered component parts or other things because the breadth of property qualified as immovable is broader than that of the replacement language of 'buildings or other constructions'. The law is purported to not have

A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is issued under Section 61:III.101(C) of the Louisiana Administrative Code to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.

changed, but the application of the law does change.

Art. 466. Component parts of a building or other construction

Things permanently attached to a building or other construction are its component parts.

Things such as plumbing, heating, cooling, electrical, or other installations are component parts of a building or other construction as a matter of law.

Other things are considered to be permanently attached to a building or other construction if they cannot be removed without substantial damage to themselves or to the building or other construction or if, according to prevailing notions in society, they are considered to be its component parts.

Under the new language of Art. 466, the Department would determine that because the signage may be removed and/or replaced on the pylon at will, the signage itself is movable. Further, there are no established prevailing notions in society that such signage would be a component part of the pylons. Therefore, the sale of a sign which is erected by attachment to a pylon is subject to payment of sales tax by the purchaser of the sign, and collection and remittance by the dealer.

The Department would describe a pylon sign as one which has as its base a single or double metal column support permanently affixed to the ground. The column support of such a pylon sign would not be taxable, as it is permanently installed/affixed to the ground. If the signage is a self-contained system that is fabricated as a structure to be removed upon change of use, then the entire structure is subject to sales tax. In the instance of the two or more column metal pylon sign, metal or other permanent structure (frames, brackets, etc.) attaching the two columns would also be considered part of the immovable, and not subject to sales tax, unless the entire sign system (everything excluding the column) was designed to be removed at termination of the user identity's use. Any and all other materials that would be changed upon change of use would be considered subject to sales tax. Installation of the signage would not be subject to sales tax if those charges are separately stated on the invoice. If the column is permanently affixed to the sign, and the entire construction is bolted to a base, then the entire portion that is movable, sign and column, is subject to sales tax. The above analysis would also apply to signs known as "billboard" signs.

Permanent sign on a fixed foundation

Some signs are created and intended to be permanent and are constructed on a fixed foundation. Removing the identifying information would destroy the sign's structural integrity. Often, such signs are termed monument signs. Examples include signs identifying churches, schools, universities, etc. The foundation on the ground generally consists of a portion devoted to the signage which is either bolted or otherwise attached to the underground portion of the foundation. Other uses for monument signs are permanently installed sign structure that has slots to accept non-permanent identifiers which are changed as the use of space changes. These are often commercial

multi-use properties that will house retail, medical, accounting, legal and other professional uses.

Other signs affixed to an underground foundation

The attachment of a sign to an underground foundation presents a more difficult problem. While the sign might be changed and replaced from the underground foundation if it is merely bolted and not welded, the attachment underground suggests that the sign is permanently attached to the “construction” (foundation). Courts have recognized a three-part test for determining the question of what is an ‘other construction’: (1) the size of the structure, (2) a certain degree of integration of attachment to the soil, and (3) some degree of permanency. See, *McNamara v. Electrode Corp.*, 418 So.2d 652 (La. App.1 Cir. 5/25/1982) rehearing denied, writ denied, citing, *Bailey v. Kruithoff*, 280 So.2d 262 (La. App. 2nd Cir. 1973). Whether or not a ‘monument sign’ is movable or immovable will turn on the specific facts. Therefore, it could be assumed that most ‘monument signs’ would be immovable, and if so, use taxes would be owed by the contractor on the materials used in construction of the sign. In any instance where a ‘monument’ sign would not be immovable, such as if the sign could be readily unbolted and carried away, then the sale of the sign would be taxable at the sales price with the dealer responsible for collection and remittance of sales taxes at the sales price. Additionally, a monument sign might include only the monument structure, that being a concrete or other foundation with metal supports for support of signage. As with the pylon signs, if the metal supports are permanently attached to the foundation, then it is considered immovable if the foundation is immovable. However, all signage that can be removed or unbolted would be movable and subject to sales tax.

Delivered manufactured signs

When a manufactured sign destined for building wall installation, pylon or monument installation is picked up by the customer at a manufacturing facility, it is by its nature movable, regardless of the type of installation it is to become. In other words, regardless of whether or not it may become part of an immovable, the property in its entirety is subject to sales tax. Further, whether or not the purchaser or a hired installer picks up the sign, the entire amount of the construction is subject to sales tax. The installation charges are not subject to sales tax. Necessarily, this analysis assumes that the manufacturer is not installing the foundation, structure, and signage.

Free-standing or movable signs

The sale of “free standing” signs such as those mounted on portable carts, easels or other such movable devices, are subject to collection and remittance of sales taxes. Any sign attached in any manner to a movable device is characterized as movable property. The free standing movable structure supporting the sign is subject to sales or lease tax, as the case requires.

Sign manufacturer is sub-contractor on construction project

Louisiana law requires the contractor of an immovable to pay sales taxes on the materials that are incorporated into the construction of the immovable. Though a sign manufacturer can be sub-

contracted by a construction contractor to fabricate a sign that will be installed on or into the building under contract, for purposes of sales tax law, the sign manufacturer is the contractor for construction of the sign, and must pay sales taxes on materials used in the construction of the sign incorporated into an immovable. In all other circumstances where the sign is considered tangible personal property, movable, the purchaser pays sales taxes on the sale of the sign. The retail sales price of the sign incorporates the materials used in its construction. If the sign is movable, repairs thereto are taxable.

Ruling

Most signs themselves, or the lettering that comprises the sign identification of a business or enterprise, even when attached to the exterior wall of a structure, are considered movable and subject to sales taxes. Many foundations used to support a sign are immovable, and if so, not subject to sales taxes. Unless the sale of signage arises to the level of permanency associated with the construction facts set forth for that of monument, pylon and billboard signs or structures, as applicable, the sales of signs are tangible personal property and subject to sales taxes. Installation charges, if separately stated on the invoice, are not subject to sales taxes

[Cynthia Bridges](#)
[Secretary](#)

By: _____
Johnette L. Martin
Attorney
Policy Services Division