

LOUISIANA FORWARD

Frequently Asked Questions - Parish Officials

1. Is the tax on business inventory going away?

No, not unless the parish elects to exempt business inventory. This election requires the unanimous consent from the (1) sheriff, (2) school board, and (3) parish governing authority. The deadline for this election is June 30, 2026.

2. What is happening with sales tax?

Sales tax would apply to specific services and digital products. This would increase sales tax revenue for parishes.

3. What services are being taxed?

The list of 41 services is available online [here](#).

This list is focused on higher income consumer level services, such as pool cleaning and landscaping.

4. How is the increased revenue for these new services and digital products calculated?

The calculations for services and digital products are based on national and state level data available, such as from the U.S. Census Bureau, IBIS World, taxpayer provided data, and trade association reports. The state level sales tax impact was calculated, which was then extrapolated to the parish level based on the parish's sales tax rate, share of the state population, and personal income attributable to parish residents. Of course, these are estimates, and each parish should evaluate its specific circumstances.

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5. What are the severance tax changes about?

Right now, the Constitution provides that severance tax revenue is split 80/20 between the state and parish. This revenue is generated when oil, gas, or lignite is severed from the land within a given parish. The 20% due to the parish, however, is subject to a maximum cap, which is set by the Constitution and subject to inflation adjustments. Currently, the cap is about \$1.2M. For parishes with severance tax revenue in excess of \$1.2M, the remainder of the 20% dedication would be transferred by the Treasury Department back to the parish.

6. What is “MME”?

MME is an acronym for “Manufacturing, Machinery and Equipment”. This is a business expense for purchases of integral part in the manufacturing of items for sale, such as machines and equipment used in the manufacturing process. MME is a business input that is generally discouraged from sales taxation because the costs pyramid along to the final consumer.

7. How much do parishes receive in sales tax revenue from MME?

It depends. Some parishes, like Orleans and Jefferson, do not tax MME purchases. Most parishes fully or partially tax MME. Using available U.S. Census Bureau data, LDR has estimated revenue impacts on a parish by parish basis. About 5-7 parishes (primarily those along the MS River) would recognize losses from MME in excess of gains from other sales tax and severance tax changes.

8. What if the sheriff, school board, and parish governing authority cannot agree on exempting the inventory tax?

If the sheriff, school board, and parish governing authority cannot agree on exempting the inventory tax, then there is no change. The status quo is maintained.

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9. What is changing by way of the constitutional amendment?

The constitutional amendment (along with its statutory companions) transfer several provisions (funds, dedications, and exemptions) into statute to provide the Legislature more flexibility in the state budgeting process. Relative to property tax, the constitutional amendment would transfer most tax exemptions (excluding the Homestead Exemption) to statute. As part of this, the voluntary exemption to repeal inventory tax is added into law.

10. What happens if a parish's sales tax increases (dedicated to teacher salaries, for example) and inventory tax decreases (dedicated to police enforcement)? Does one dedication experience a windfall while another is depleted?

LDR is aware of this issue and is researching a global solution for all parishes.

11. With the expansion of services, how will a service provider (such as electrician or plumber) know how to source his services based on the geographic tax jurisdiction?

LDR is aware of this issue and is researching a global solution for all parishes.

12. A high school student is spending his summer vacation cutting grass in his community. Does he need to collect and remit sales tax?

No. Via revisions to the draft legislation, a "small seller" exception will be included. If a person provides services with receipts less than \$10,000 annually, the person is exempt from collecting tax from customer and remitting that tax to the government. However, this does not apply to existing sellers of tangible personal property or services.

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13. Who is paying this sales tax on services?

Sales tax on most of the proposed taxable services is paid by the end consumer at the retail level. Landscapers and photographers, for instance, are not paying a tax; they are collecting a tax, as a dealer, from the consumer/customer and remitting that tax to the government. While these service providers will have a new compliance responsibility, this new revenue allows for a significant income tax reduction for all individuals.