

TAX REFORM FREQUENTLY ASKED QUESTIONS

GENERAL SALES TAX

1. What is the state sales tax rate?

Rate Type	Rate as of December 31,2024	Rate as of January 1, 2025
Sales Tax	4.45%	5%*
Intrastate Telecommunications	3.45%	5%*
Sales of Prepaid Telephone Cards and Prepaid Authorization Numbers	3.45%	5%*
Interstate Telecommunications	2.45%	5%*
Business Utilities	2%	2%
Direct Marketers (47:302(K))	8.45%	9%*

**Until 12/31/2029*

Telecommunications services, cable television services, direct-to-home satellite services, video programming services by cable television and satellite service providers, and satellite digital audio radio services are also subject to an additional state tax rate of 5%.

2. Which sales taxes apply to telecommunications services?

Rate Type	Rate as of December 31, 2024	Rate as of January 1, 2025
Intrastate Telecommunications	3.45%	5% general state rate, plus 5% additional state sales tax
Interstate Telecommunications	2.45%	5% general state rate, plus 5% additional state sales tax

**Sales of Prepaid Telephone Cards and Prepaid Authorization Numbers are taxed as tangible personal property, rather than telecommunications services*

3. What is the state sales tax rate for sleeping rooms, hotel rooms, motel rooms, and similar accommodations?

Rate Type	Rate as of December 31, 2024	Rate as of January 1, 2025
State of Louisiana tax on sales of tangible personal property at hotels/motels/ other accommodations	4.45%	5%*
State of Louisiana tax on room rentals outside of Orleans and Jefferson Parishes	4.45%	5%*
State of Louisiana tax on room rentals (10 or more rooms at a single location) in Orleans and Jefferson Parishes	2.45%	3%*
State of Louisiana tax on room rentals (9 or fewer rooms at a single location) in Orleans and Jefferson Parishes	4.45%	5%*

*Until 12/31/2029

In addition to the state taxes listed above, the Louisiana Department of Revenue also collects hotel and motel occupancy taxes on behalf of the following taxing authorities:

Rate Type	Rate as of December 31, 2024	Rate as of January 1, 2025
Louisiana Stadium and Exposition District (Domed Stadium), Orleans & Jefferson Room Rentals (10 or more rooms at a single location)	4%	4%
Ernest N. Morial Exhibition Hall Authority Room Rentals, Orleans Parish	3%	3%

Many local taxing authorities also impose their own sales tax and/or occupancy tax on the furnishing or occupancy of sleeping rooms, hotel rooms, motel rooms, and other similar accommodations.

4. What is included in sales price?

Sales tax is due on the sales price of tangible personal property and digital products. Sales price is the total price for which tangible personal property or digital products are sold less the fair market value of any article traded in, including any services.

Sales price includes:

1. Cost of materials used;
2. Labor or service costs (including service costs for installation); and
3. Transportation charges.

Sales price does not include:

1. Service costs for financing (which shall not exceed the legal interest rate);
2. Service charges not to exceed 6% of the amount financed;
3. Losses; or
4. Labor or services charges for installing, applying, remodeling or repairing property sold if those charges are separately billed to the customer at the time of the sale.

5. What is included in cost price?

Use tax is due on the cost price of tangible personal property or digital products. Cost price is the lesser of:

1. The actual cost of tangible personal property or digital products (without any deduction for the cost of materials used, labor costs, or service costs). Cost price includes service costs for installation and transportation charges. However, cost price does not include labor charges or services for installing, applying, remodeling, or repairing property sold if those costs are separately billed to the customer at the time of installation; or
2. The reasonable market value of the tangible personal property or digital product at the time it becomes susceptible to use tax.

6. Are shipping, delivery, and freight charges taxable?

Transportation charges (shipping, freight, delivery) are included in the definitions of “cost price” and “sales price”. As a result, transportation charges paid to the seller for delivery of tangible personal property and digital products purchased from the seller are subject to state and local sales and use taxes. Cost price and sales price relate to sales/purchases of tangible personal property and digital products but are not applicable to leases, rentals, or services.

If the underlying transaction is excluded (i.e., sale for resale) or exempt (i.e., MM&E) from sales and use tax, the transportation charges are also excluded/exempt because they are part of the cost/sales price of the transaction.

If any portion of a sale is taxable, then the entire amount of the transportation or shipping cost is subject to tax. For example, if an invoice contains a charge for \$50 for food for home consumption (not subject to state sales tax), \$50 for goods subject to sales tax, and a \$10 delivery fee, the entire \$10 delivery fee is taxable.

If a purchaser contracts with a third-party for delivery, the charges paid to the third-party by the purchaser are not subject to sales and use tax. Additionally, if a seller contracts with a third-party for delivery, the charges paid by the seller to the third-party are not subject to sales and use tax. However, if those charges are passed on to the purchaser by the seller, the charges paid by the purchaser are considered part of the sales/cost price and subject to sales tax.

For leases and rentals, sales tax is due on the gross proceeds derived from the lease or rental. Transportation charges are not considered part of the gross proceeds. Therefore,

separately stated transportation charges associated with the delivery of leased or rented property is not subject to sales and use tax.

7. Are business utilities subject to sales and use tax?

Yes. Business utilities continue to be subject to sales and use tax at a rate of 2%.

8. Are any business utilities 100% exempt from sales tax?

Yes. R.S. 47:305.5(B)(3) exempts electricity used in the chlor-alkali manufacturing process. And, R.S. 47:305.3(B)(5)(g) exempts sales of utilities to commercial farmers for on-farm storage.

9. Are propane tanks sold by retail outlets directly to consumers subject to sales tax?

Yes. These sales are not considered to be propane sold directly to the consumer for residential use. See [RIB 16-021](#) for additional guidance.

10. I have a construction contract based on a state sales tax rate of 4.45%. What are my options?

R.S. 47:305.11 exempts construction contracts from the new 0.55% sales tax levy if certain conditions are met. The contract must have been bid based on the old tax rate (before December 4, 2024), and it must be entered into and reduced to writing prior to or within 90 days of the tax increase. Contractors who meet all of the requirements must fill out [Form R-1075](#) and submit it to the LDR along with a copy of the signed contract.

11. If a hotel room is reserved in 2024 but the stay occurs in 2025, what state sales tax rate applies?

If lodging is booked in 2024, the hotel receives payment in 2024, and the provider reported the sale in 2024, the 4.45% state sales tax rate applies even if the stay occurs in 2025. However, if lodging is reserved in 2024, but the sale does not occur until 2025 (when the provider receives payment and reports the sale) then the 5% state sales tax rate applies.

12. What is the tax base for the calculation of sales tax on leases or rentals?

For leases or rentals, sales tax is due on the gross proceeds derived from the lease or rental or the price paid or contracted to be paid by the lessee or rentee to the owner of the tangible personal property or digital product.

TAXABLE SERVICES

1. What services are subject to sales tax in Louisiana?

The following services are subject to state (and local, unless otherwise noted) sales tax:

1. Furnishing of sleeping rooms
2. Furnishing of admissions
3. Parking
4. Printing and copying services
5. Laundry, cleaning, pressing, alteration, repair and dyeing services
6. Furnishing of cold storage space
7. Repairs and maintenance of tangible personal property and digital products
8. Telecommunications services in accordance with R.S. 47: 301.1
9. Prewritten computer software access services (effective January 1, 2025)
10. Information Services (effective January 1, 2025)
11. Cable television, direct-to-home satellite, video programming provided by cable and satellite providers and satellite digital audio radio services (state only).

2. Does the taxable service of “furnishing of sleeping rooms” include rooms purchased through online travel companies (such as Expedia and Orbitz) or Airbnb rentals?

Yes. The taxable service of “furnishing of sleeping rooms” includes accommodations sold to transient guests by any of the following: hotels, apartment hotels, lodging houses, tourist camps and courts, property management companies and accommodation intermediaries.

Additionally, the sales price includes service, facilitator, processing, delivery and other similar fees and charges associated with the transaction even if those charges are separately stated.

3. What is included in the taxable service of “furnishing of admissions”?

All of the following activities are considered the “furnishing of admissions”:

1. Sales of tickets (as well as fees and other charges) for admissions to places of amusement, recreational events, entertainment, exhibitions, displays, athletic entertainment and similar events.¹
2. Charges for participation in games and amusement activities.
3. Furnishing access to clubs, or access to or use of amusements, entertainment, athletic or recreational facilities for a fee. This includes gym memberships.
4. Coin-operated amusement devices include:
 - a. massage chairs
 - b. video games
 - c. pinball games
 - d. table games such as billiards and air hockey
 - e. redemption games that may award prizes such as the claw and Skeet-Ball.

¹ The sale of admissions to athletic and entertainment events held for or by public, parochial, and private elementary and secondary schools is exempt under R.S. 305.6(5).

4. Is the seller's service or processing fee taxable?

Yes. Any service, facility, processing, delivery, facilitator, or other similar fees and charges included with the cost of the admissions are part of the sales price and subject to sales and use tax even if those fees or charges are separately stated.

5. What type of parking fees are taxable?

All charges for parking, storing or keeping motor vehicles are taxable, including, but not limited to:

1. Valet services
2. Use of parking spaces
3. Parking lots
4. Parking structures
5. Charges for street parking at metered spaces
6. Storage fees at body shops.

There are exemptions for parking fees charged for certain cultural events and events sponsored by non-profit organizations. See R.S. 47:305.33 and 47:305.14 for more information.

6. Are repairs and maintenance to tangible personal property taxable?

Yes. Repairs and maintenance to tangible personal property have been, and remain, taxable in Louisiana. This includes repairs to and maintenance of the following:

1. Automobiles, vehicles, boats and vessels
2. Electrical and mechanical appliances and equipment
3. Farm machinery and implements
4. Motors
5. Tires
6. Batteries
7. Engineering instruments
8. Medical and surgical instruments
9. Machinery
10. Mechanical tools
11. Shop equipment
12. Furniture
13. Rugs
14. Flooring
15. Watches
16. Clocks
17. Jewelry
18. Shoes, including shoe shining
19. Computer software

Charges for service calls, trip charges and travel charges are considered part of the sales price of repairs and maintenance to tangible personal property and digital products even if those charges are separately stated.

7. Are repairs and maintenance to my home taxable?

No. Repairs and maintenance to immovable property, such as a residence, are not taxable. However, repairs and maintenance of tangible personal property within a home (movable property) are subject to sales tax. Examples of taxable repairs include refrigerators, washing machines, dryers and furniture.

8. Which sales taxes apply to telecommunications services?

Rate Type	Rate as of December 31, 2024	Rate Beginning January 1, 2025
Intrastate Telecommunications, Sales of Prepaid Telephone Cards and Prepaid Authorization Numbers	3.45%	5% general state rate, plus 5% additional state sales tax
Interstate Telecommunications	2.45%	5% general state rate, plus 5% additional state sales tax

**Sales of Prepaid Telephone Cards and Prepaid Authorization Numbers are taxed as tangible personal property, rather than telecommunications services*

9. Are telecommunications services subject to local sales tax in Louisiana?

No. Separate from the general state sales tax, telecommunications services are subject to an additional 5% state sales tax on the amounts paid or charged for such services. This specific tax is imposed in lieu of a local sales tax, is subject to all the same state sales tax exemptions, exclusions, etc., and is dedicated to local government. As such, the total sales tax rate is 10%.

10. What are prewritten computer software access services?

Prewritten computer software access services are charges made to customers for the right to access and use prewritten computer software, where possession of the software is maintained by the seller or third party regardless of whether the charge for the services is on a per use, per user, per license, subscription, or some other basis. Examples of prewritten computer software access are Microsoft 365, Zoom, Salesforce, Dropbox, DocuSign, Adobe, Slack, and Ancestry.

11. What are information services?

Information services include:

1. Electronic data retrieval or research; and
2. Collecting, compiling, analyzing, or furnishing of information such as general or specialized news, other current information or financial information, by printed or electronic means.

Information services include delivering or providing access to information through databases or subscriptions. Information services include services that meet the aforementioned definitions regardless of whether the services are transferred physically or electronically.

Examples of Information Services	
Newsletters	Penguin Random House TheShimm Morning Brew
Tax guides	Wolters Kluwer CCH AnswerConnect
Research publications	The New England Journal of Medicine American Economic Review
Financial market, investment, circulation, credit, stock market or bond rating reports	Fitch Ratings Qapital The Motley Fool
Mailing lists	Mailchimp Constant Contact AWeber
Abstracts of title	Self-explanatory
News clipping services	Brand24 Talkwalker
Wire services or reports	The Associated Press Reuters Bloomberg News
Scouting reports	National Scouting Report Total Football Analysis Scouted Notebook
Bad check lists	ChexSystems TeleCheck Certegey
Broadcast rating services	Neilson Media Research Television Bureau of Advertising
Credit reports	Equifax Experian TransUnion
Subscriptions to genealogical, financial or similar databases	Ancestry FamilySearch
Severe weather alerts, for an annual fee	Storm Shield WeatherTAP

Examples of Information Services	
Tracking and measuring sales of drugs to pharmacies, hospitals, nursing homes, and other service providers as per customer stipulations like particular drugs or geographic areas	IQVIA Symphony Health Nielsen Clarivate Analytics Axtria Indegene, SAS Life Sciences
Internet user statistics	Google Analytics Mixpanel Amplitude
Legislative tracking services	LegisScan State Net
Sales lead generators	CIENCE RocketReach SalesRoads
Data retrieval and/or research such as stock quotations, court cases, administrative hearings	Nasdaq Consolidated Quotes and Trades Public Access to Court Electronic Records
Global positioning system services such as driving directions, sports, news or similar information provided through satellite audio programming services	Kayo Business Fleet GPS Tracker Family1st FleetUp

Examples of services which are NOT information services:

- Real estate appraisals
- Criminal background checks
- Polygraph tests
- Consulting services to advise clients on computer hardware/software needs
- Contract programming services that consist of the design, development and implementation of computer programs based on a client's particular environment
- Attorney services
- Environmental testing services that include reports on factors such as the condition of the property, levels of a particular substance, habitability, etc.
- Payroll processing services
- Payment processing services
- Court stenography services
- Accident reconstruction services
- Preparation and filing of articles to form corporations or limited liability companies
- Educational seminars, classes or courses
- Bank account balances
- Medical lab tests
- Furnishing of academic transcripts
- Information sold to radio, television stations or newspapers

- Information gathered or compiled on behalf of a particular client that is of a proprietary nature and may not be sold to others. Examples include the following if proprietary in nature:
 - client specific purchase and sales data
 - custom market research reports
 - client specific website usage and information reports

12. Are there any exclusions from information services?

Yes. Information services do not include the following:

1. Information sold to an FCC licensed newspaper or television or radio station if gathered or purchased for direct use in newspapers or broadcasts.
2. Charges by financial institutions for account balances.
3. Proprietary information compiled on behalf of a client for their exclusive use.
4. Internet access services, including information services merely incidental to providing internet access services.
5. Data processing, including payment processing services.
6. Cable television, direct-to-home satellite, video programming provided by cable and satellite providers and satellite digital audio radio services

13. Are cable and satellite subject to Louisiana sales tax?

Yes. Beginning January 1, 2025, cable television services, direct-to-home satellite services, video programming services by cable television and satellite service providers, and satellite digital audio radio services are subject to Louisiana state sales tax.

Examples of cable television services, direct-to-home satellite services, video programming services by cable television and satellite service providers, and satellite digital audio radio services, include, but are not limited to, the following:

- DirecTV
- Dish Network
- Starlink
- SiriusXM
- Cox
- Spectrum

These services are not subject to local sales and use tax.

14. Are cable and satellite services subject to local sales tax in Louisiana?

No. Separate from the general state sales tax, cable television services, direct-to-home satellite services, video programming services by cable television and satellite service providers, and satellite digital audio radio services are subject to an additional 5% state sales tax on the amounts paid or charged for such services. This specific tax is imposed in lieu of a local sales tax, is subject to all the same state sales tax exemptions, exclusions, etc., and is dedicated to local government. As such, the total sales tax rate is 10%.

15. How do telecommunications, cable, and satellite services providers report the additional state sales tax rate?

The additional state sales tax rate will be reported on the general state sales tax return. Beginning January 1, 2025, the sales tax on all telecommunications services, cable television services, direct-to-home satellite services, video programming services by cable television and satellite service providers, and satellite digital audio radio services, must be reported and paid electronically by such providers. See [Emergency Rule](#) enacting LAC 61.III.1551 and 1552 published in the Louisiana Register on December 20, 2024.

16. Are crane leases and rentals with an operator subject to sales tax?

Act 11 of the 2024 Third Extraordinary Session of the Louisiana Legislature repealed R.S. 47:301(7)(k) effective January 1, 2025. R.S. 47:301(7)(k) provided a sales and use tax exclusion for the lease or rental of cranes and related equipment with operators. However, the repeal of R.S. 47:301(7)(k) does not automatically mean that all leases or rentals of cranes with operators have become taxable. Leases and rentals of cranes with operators are now treated the same as other leases and rentals with operators.

LAC 61:I.4301 “Lease or Rental” (c)(i) and (ii) address leases and rentals with operators and remains LDR’s position on this question. This regulation provides:

(c)(i) A lease or rental does not include providing tangible personal property with an operator who provides some additional service for a fixed or indeterminate period of time when the essence of the transaction is the performance of a service. The essence of the transaction is to provide a service when obtaining the tangible personal property is not an end in and of itself but rather furnishes the mechanism through which a service is provided.

(ii) In order to determine the essence of a transaction involving both the performance of a service and the providing of tangible personal property, the facts and circumstances of each transaction must be examined. The following factors suggest, but are not necessarily conclusive, that the essence of the transaction is for the performance of a service:

- (a) In order for the tangible personal property to perform as designed, the owner's operator maintains control over the property. This level of control by the owner's operator involves more than maintaining, inspecting, or setting up the property;
- (b) The contract between the owner of the property and the person receiving the services and property provides for the performance of a specific job that requires services for a certain number of hours or until completion of a specific job;
- (c) The performance of the job using the tangible personal property is conducted in a manner determined by the owner of the property;
- (d) The owner of the tangible personal property is responsible for choosing the particular piece of property to be used in the transaction; or

(e) The owner of the tangible personal property has a standard business practice of not allowing customers to rent the property separately from the services provided.

If the facts and circumstances indicate that the essence of the transaction is the performance of a service then the lease or rental of a crane with an operator will be treated as a non-taxable service. See Revenue Information Bulletin 25-013 for more information.

17. What is the tax base for calculating sales tax on taxable services?

For sales of services, sales tax is due on the total amount paid or charged for the taxable service.

EXEMPTIONS

1. Are vending machine sales subject to sales tax?

Yes. Sales of taxable items through a vending machine are subject to state and local sales tax. Prior to Act 11 of the 2024 Third Extraordinary Session, sales tax was imposed when the vending machine operator purchased taxable items to be resold through the vending machine and the sale to the ultimate consumer was exempt. Those provisions were repealed by Act 11 of the 2024 Third Extraordinary Session. Beginning January 1, 2025, the sale for resale exemption applies to the purchases made by the vending machine operator and the sales through the vending machine to the consumer are taxable.

2. Are sales from food trucks, drive-ins, candy and nut counters, and snack bars taxable?

Yes. Sales of prepared food by restaurants, drive-ins, snack bars, candy and nut counters, private clubs, and similar establishments are taxable irrespective of whether they furnish facilities for on premise consumption. Food that otherwise qualifies as food for home consumption remains exempt. For example, raw meat or raw seafood that is sold by an establishment that also sells prepared foods is exempt.

3. Are purchases of bibles, songbooks, or literature by certain religious institutions for instructional classes exempt from sales tax?

No. The exemption reenacted by Act 11 of the 2024 Third Extraordinary Session was previously held to be unconstitutional by the U.S. District Court for the Eastern District of Louisiana and the state of Louisiana is enjoined from recognizing the exemption. See [RIB 02-006](#) for more information.

4. Which sales and use tax exemptions were repealed as of January 1, 2025?

[Click here](#) for a chart of exemptions repealed as of January 1, 2025. Any exemptions that were repealed in the 2024 Third Extraordinary Session and reinstated in the 2025 Regular Session are not reflected on this chart.

5. Which existing sales tax exemptions were retained and remain in effect for taxable periods beginning on or after January 1, 2025?

[Click here](#) for a chart of the active exemptions in effect after January 1, 2025, as per the 2024 Third Extraordinary Session and 2025 Regular Session.

6. Were any changes made to the medical exemptions applicable to state sales tax?

No. The medical exemptions have been consolidated into a single section found at R.S. 47:305.2. This section lists exemptions from state sales tax, as well as those exemptions mandated for state and local sales and use taxes.

7. Were any changes made to the agricultural exemptions and exclusions applicable to state sales tax?

Yes, the agricultural provisions were reorganized and consolidated into a single section, R.S. 47:305.3. The exemptions listed in this section apply to both state and local sales and use taxes beginning January 1, 2025.

The exemption for the first \$50,000 of the purchase price of farm equipment (formerly R.S. 47:305.25(A)(1-3)) is increased to the first \$150,000 of the purchase price. Additionally, the specific exemption for purchases for poultry production was repealed, but those purchases remain exempt under the broader exemption applicable to commercial farmers.

8. Were any changes made to the manufacturing, machinery and exemptions?

Yes, the exemption has been expanded to include computers and software which control or communicate with computer systems that control heating or cooling systems for manufacturing machinery or equipment.

Additionally, the manufacturing, machinery and equipment exemptions have been consolidated into a single section found at R.S. 47:305.5.

9. How are the school and educational materials exemptions treated?

The school and educational materials exemptions have been consolidated into a single exemption found at R.S. 47:305.6.

10. How are intergovernmental and governmental transaction exemptions treated?

The intergovernmental and governmental transactions exemptions have been consolidated into a single exemption found at R.S. 47:305.7.

11. Are residential utilities subject to sales and use tax?

No. Residential utilities continue to be 100% exempt from sales and use taxes.

12. I am a non-profit. Do I have to charge sales tax on my sales of admissions tickets and parking?

No. The exemption for sales of tangible personal property at, admission charges for, or parking fees associated with certain fundraising events by nonprofit organizations was restored by Act 384 of the 2025 Regular Session. The exemption is effective January 1, 2025 for states sales tax purposes and July 1, 202 for local sales tax purposes.

13. Is electricity used in the production activity of stripper wells exempt from sales and use tax?

No. Beginning January 1, 2025, these sales are taxable at a rate of 2%. The exemption for these transactions was repealed by Act 11 of the 2024 Third Extraordinary Session

14. Were any additional changes made to sales and use exemptions in the 2025 Regular Session?

Yes. Act 384 of the 2025 Regular Session reinstates certain exemptions that were repealed during the 2024 Third Extraordinary Session. The following exemptions were reenacted retroactive to January 1, 2025 for state sales and use tax purposes and effective July 1, 2025 for local sales and use tax purposes:

1. Repairs to certain property returned out of state.
2. Leases and rentals of motor vehicles by vehicle dealers or manufacturers furnished in connection with warranty agreements.
3. Sales of tangible personal property at, admission charges for, or parking fees associated with certain fundraising events by nonprofit organizations.
4. Sales to certain sickle cell disease organizations.
5. Sales of construction materials to Habitat for Humanity affiliates.
6. Purchases, leases, and repairs by qualifying radiation therapy treatment centers.

Additionally, Act 384 enacts the following changes effective July 1, 2025:

1. The exemption for adaptive driving equipment is extended to local sales and use taxes.
2. Purchases made by the Edward Via College of Osteopathic Medicine are exempt from state and local sales and use taxes.
3. The sales and use tax exemption for certain ships and vessels operating in interstate coastwise commerce is extended to include certain digital products and services used in the maintenance and operation of the ship or vessel.

The exemption from sales and use taxes granted to the state, parish, municipality, other political subdivisions, and instrumentalities of the state or its political subdivisions is extended to purchases made by general contractors and subcontractors related to their work

performed pursuant to construction contracts for public projects. Qualifying contractors/subcontractors must obtain an exemption certificate from the Department of Revenue for each contract. If the construction project relates to a payment in lieu of taxes or similar agreement, it must be approved by the secretary of Louisiana Economic Development and secretary of Department of Revenue for an exemption to apply. This requirement applies to agreements executed after June 20, 2025.

15. Were any new sales and use tax exemptions added in the 2025 Regular Session?

Yes. Act 506 adopts a sales and use tax exemption, beginning July 1, 2025, for the purchase of antique motor vehicles that were manufactured at least 35 years ago, not used for commercial purposes, and valued at \$10,000 or more.

16. Is there a cap on sale and use tax for boats registered in Louisiana?

Yes. Beginning July 1, 2025 the maximum amount of state and local sales and use taxes due on boats registered in Louisiana after application of credit for taxes paid to other states, is \$20,000. The tax must be paid within 90 days of purchase for this cap to apply.

VENDORS COMPENSATION

1. What is state's vendor's compensation deduction rate?

R.S. 47:306(A)(3)(a) allows dealers to deduct and retain a percentage of the sales and use tax due for the purpose of compensating the dealer for accounting for and remitting the tax to the state of Louisiana ("vendor's comp").

The vendor's comp rate is 1.05% and remains unchanged. However, vendor's comp is calculated only on the taxes levied in R.S. 47:302, 321, and 331. Vendor's comp is not allowed for the taxes levied in R.S. 47:321.1. As a result, beginning January 1, 2025, the effective rate of state vendor's comp is 0.84% ($1.05\% \times (4\%/5\%)$).

2. What is the maximum amount of state vendor's compensation?

Effective for tax periods beginning on or after January 1, 2025, the maximum monthly amount of vendor's compensation is reduced from \$1,500 to \$750. The maximum is applied per dealer, even if a dealer operates one or more business locations within Louisiana. Vendor's compensation is only allowed if the dealer timely files the sales and use tax return and timely pays the tax due.

DIGITAL PRODUCTS

1. Are digital products subject to sales and use tax?

Yes. Act 10 of the 2024 Third Extraordinary session expands the sales tax base to include the taxation of digital products for taxable periods beginning on or after January 1, 2025. Please see the Guidance Document entitled Sales and Use Tax on Digital Products and Related Services for more information.

2. What digital products are subject to sales and use?

Digital products are defined as products that are transferred electronically and include:

1. Digital audiovisual works
2. Digital audio works
3. Digital books
4. Digital codes
5. Digital applications and games
6. Digital periodicals and discussion forums

3. What are digital audiovisual works?

Digital audiovisual works are images that, when shown in succession, impart an impression of motion, together with accompanying sounds.

4. What are digital audio works?

Digital audio works are works that result from the fixation of a series of musical, spoken, or other sounds that are transferred electronically.

5. What are digital books?

Digital books are books that are transferred electronically.

6. What are digital codes?

Digital codes are codes that provide a right to obtain one or more digital products. Includes codes used to access or obtain any digital products that have been previously purchased, but does not include traditional gift cards with monetary value redeemable for non-digital products.

7. What are digital applications and games?

Digital applications and games are any applications or games, including add-ons or additional content that can be used by a computer, mobile device, or tablet.

8. What are digital periodicals and discussion forums?

Digital periodicals and discussion forums are digital newspapers, digital magazines, other digital periodicals, chat room discussions, weblogs or other similar products.

9. What things are not digital products?

Digital products do not include:

1. Intangibles such as patents, stocks, bonds, goodwill, trademarks, franchises, or copyrights.
2. Telecommunications services and ancillary services.
3. Internet access service charges.
4. The representation of a professional service in an electronic form (such as an electronic copy of an engineering report prepared by an engineer).
5. Digital products where the purchaser holds an intellectual property interest if the purchaser uses the product only for commercial purposes.
6. Cable television services, direct-to-home satellite services, video programming services by cable television and satellite service providers, or satellite digital audio radio services.

10. What digital products are excluded from taxation?

The following digital products are not taxed:

1. Digital products consumed in producing a new product for sale, where the digital product becomes an ingredient or component of the new product.
2. Digital products that are made available free of charge.

11. Are there any exemptions for digital products?

Yes. The following digital products are exempt from taxation:

- A. Digital products that are:
 - (1) purchased exclusively for commercial purposes,
 - (2) used directly in the production of goods and services for sale to customers, and
 - (3) the goods or services produced and sold are subject to sales and use tax or insurance premium tax.
- B. Digital products purchased and used by FDIC insured financial institutions (or their affiliates) for storing, transmitting, processing, or analyzing customer and account information, facilitating transactions, account processes, investment processes, lending processes, security and compliance.
- C. Digital products used by licensed healthcare facilities and providers for storing or transmitting healthcare information or for the diagnosis or treatment of a medical condition.

These exemptions also apply to qualifying software, prewritten computer software access services, and information services. Additionally, the same exclusions and exemptions that apply to tangible personal property apply to digital products, so that all digital products have the same tax treatment as equivalent versions of tangible personal property.

12. Is custom computer software subject to tax?

Yes. Act 10 eliminates the custom computer software exemption and treats all software the same. The previous exemption for customer computer software has been suspended or partly suspended since April 1, 2016. Therefore, customer computer software has been taxable since April 1, 2016, and will remain so, unless another exemption otherwise applies.

SOURCING

1. How are sales sourced?

Sourcing generally refers to where a sale is deemed to take place.

Tangible personal property (TPP), digital products and services, are all generally sourced as follows:

1. If received by the buyer at the seller's business location, the sale is sourced to that business location.
2. If not received at the seller's business location, the sale is sourced to the location of receipt by the purchaser or purchaser's designee.
3. If the location of receipt by the purchaser (or designee) is unknown, the sale is sourced to the purchaser's address contained in the business records of the seller.
4. If no address is available in the seller's business records, the sale is sourced to the purchaser's address obtained at the time of sale (*e.g.*, the purchaser's payment instrument).
5. If no address is obtained at the time of the sale, then the sale is sourced to:
 - a. For TPP - the location from which TPP was shipped.
 - b. For digital products - the address from which the digital product was first available for transmission by the seller.
 - c. For services - the address from which the service was provided.

Notwithstanding the above:

- a. Repairs to tangible personal property are always sourced to where the repairs are performed.
- b. Drop shipments are sourced to the location of the transfer of title or possession, whichever occurs first.
- c. Abstracts of title created by persons with a place of business in Louisiana are sourced to the person's principal place of business in Louisiana.
- d. Purchases of multiple listing services by real estate licensees and brokers are sourced to the location of the licensee's or broker's Louisiana regional real estate office.

Different rules apply for sourcing leases of tangible personal property, vehicles, and telecommunication services. See R.S. 47:301.4(B)(3), (C) and (D).

BUNDLING

1. What is a bundled transaction?

A bundled transaction occurs when two or more distinct and identifiable products are sold at retail for one, non-itemized price. The term “products” can mean tangible personal property, services or digital products.

Example 1: A decorative ceramic bowl is sold with fresh fruit placed inside. These two items are sold for \$50. The bowl and fruit are a bundled transaction because they are two distinct objects sold for one non-itemized price.

Example 2: A florist sells a vase, ribbon and fresh cut flowers to a customer for \$20, \$5 and \$30 respectively. Each product is separately itemized on an invoice that totals \$55. This is not a bundled transaction because there is not one non-itemized price for the vase, ribbon and flowers.

2. What is the general rule for bundled transactions?

If any product in a bundled transaction is subject to sales or use tax, sales or use tax is owed on the bundled transaction and is calculated based on the sales price of the entire bundle.

Example 1: A decorative ceramic bowl is sold with fresh fruit placed inside. These two items are sold for \$50. The bowl and fruit are a bundled transaction because they are two distinct objects sold for one non-itemized price. Sales tax is owed on the \$50 sale price even though the fruit sold by itself would be non-taxable food for home consumption.

3. Is packaging a distinct and identifiable product?

No. Packaging that accompanies the retail sale of the products is considered incidental and immaterial and is not distinct and identifiable products. Packaging includes, but is not limited to, containers, boxes, sacks, bags, bottles, wrapping, labels, tags, instruction guides, grocery sacks, shoeboxes, dry cleaning garment bags and express delivery envelopes and boxes.

Example: Purchased groceries are packed in reusable cloth bags. The cloth bags do not make this a bundled transaction on which sales tax is owed.

4. Are free objects distinct and identifiable products?

No. A free product included with a required purchase does not create a bundled transaction. A product is considered free of charge if the price of the required purchase does not change when the free product is included or excluded.

Example: A lawn service company provides free T-shirts to customers. The lawn service, a non-taxable service, is not a bundled transaction that is taxable just because free t-shirts were provided. The price of the lawn service is not reduced if the customers refuse the t-shirts.

5. Are items included in the definition of sales price distinct and identifiable products?

No. The items included in the definition of sales price are not distinct and identifiable products and do not create bundled transactions.

Example 1: A computer is purchased by and installed in a school for educational purposes. The computer is a tax-free purchase of tangible personal property, but service costs for installation are included in the definition of “sales price.” The computer and the service costs for installation are not two, distinct and identifiable products. The purchase and installation of the computer will not be subject to sales tax because educational equipment is exempt. The service costs for installation of that computer are included in the definition of sales price and will receive the tax treatment of the exempt computer.

Example 2: Sales price includes delivery charges whether separately itemized or not. The retail sale of a product and delivery of that product for a single price is not considered a bundled transaction because delivery charges are included in the sales price of the product.

6. Are there exceptions to the general bundling rule?

Yes. There are a number of exceptions to the general bundling rules:

- **Selected items:** When the price of the transaction changes based on what the customer chooses to include in the purchase, this is not a bundle. The price change means it is not being sold at a non-itemized price.

Example: An information technology company enters into a multi-year contract with its purchaser to provide information technology services (data processing, help desk, software installation, and Web hosting) from the provider’s data processing facility. Through negotiation, the provider and the purchaser agree on the services to be provided and the price. The price is a function of the mix of services to be provided. The provider bills one non-itemized price on its invoice to the purchaser. Because the price of products being sold varied or was negotiated as a result of the selection by the purchaser of the products included in the transaction, no bundled transaction exists.

- **True object exception:** When the true object of the sale is a non-taxable service, the tangible personal property, digital products, or services used exclusively in connection with the non-taxable service are not a bundled transaction.

Example 1: (taxable property used to perform non-taxable service): Having your hair colored by a hair stylist is a non-taxable service. The stylist uses a taxable product, hair dye, to complete the service. Using the hair dye to perform the non-taxable service does not subject the hair coloring to sales tax. The services performed by the hairstylist are still not subject to sales tax.

Example 2 (taxable service used with non-taxable service): A party facility is rented to host a gathering and the facility includes access to a parking lot for the cars of guests and those working. Parking is a taxable service, while the rental of the facility is not subject to sales tax. The inclusion of the parking lot does not subject the facility rental to sales tax. This is not a bundled transaction.

- ***De minimis exception:*** A transaction that would otherwise be a bundled transaction is not a bundled transaction if the taxable product(s) amounts to ten percent (10%) or less of the total sales price.
- **Food, drug and medical exception:** The transaction that would otherwise be a bundled transaction is not a bundled transaction if the transaction includes food, drugs or medical items and the sales price of the taxable tangible personal property is fifty percent (50%) or less of the total sales price of all of the bundled products.

Example: Giftco sells a gift basket with food where the cost of the food constitutes more than 50% of the total cost to the seller of the food and the basket. The taxable amount would be the cost of the basket to the seller. Conversely, if the cost of the food constituted less than 50% of the total cost of the items sold, the transaction would be a bundled transaction, and the entire sales price of the gift basket would be taxable.

- **Digital code to purchase several products:** Tax generally applies to the entire sales price of the code if the code allows the purchase of goods, digital products or services that are taxable and non-taxable. However, if the seller can determine which goods, purchased using the code, are subject to tax and the products that are not subject to tax, sales and use tax will not apply to the goods, digital products or services that are not normally subject to tax. The seller must identify the tax treatment by reasonable and verifiable standards by using their books and records kept in the regular course of business.