2002 First Extraordinary Session of the Louisiana Legislature

Administrative

Act 150 (SB 71) enacts R.S. 51:935.1 to require the Department of Economic Development to issue reports every two years beginning November 15, 2005, on certain state economic development programs. The report must be submitted to the governor, the president of the Senate, the speaker of the House of Representatives, the chairs of the Senate Commerce and Consumer Protection and House Commerce Committees, and the David R. Poynter Legislative Research Library. An independent economist must prepare the report after consultation with the Economic Estimating Conference, the Revenue Estimating Conference, the legislative auditor, the legislative fiscal office, the Department of Economic Development, the Department of Revenue, and the Department of Labor. Effective April 24, 2002.

Alcohol and Tobacco Control

Act 144 (HB 165) amends R.S. 26:271 to increase certain permit fees for dealers in beverages of low alcoholic content. Effective June 16, 2002.

Collection

Act 148 (SB 28) amends R.S. 49:316.1(A) to authorize the state treasurer to establish a fee for payment of state charges by credit cards, debit cards, or similar payment devices. Effective April 24, 2002.

Excise Tax

Act 96 (HB 116) enacts R.S. 47:843(D)(2)(f) to provide that tobacco dealers shall not affix tax stamps on packages of cigarettes if the cigarettes are manufactured by a tobacco product manufacturer that is not participating in the Master Settlement Agreement and has failed to create a qualified escrow account as required by R.S. 13:5062. Effective April 18, 2002.

Income and Corporation Franchise Tax

Act 1 (HB 17) amends R.S. 47:1123(4) and (5) to expand the definition of "motion picture" and "motion picture production company." This Act also enacts R.S. 47:1125.1 to provide for an employment tax credit for the employment of Louisiana residents in connection with the production of a motion picture. However, Act 6 also enacts R.S. 47:1125.1 and provides that if HB 17 is enacted and the provisions of R.S. 47:1125.1 conflict with Act 6 (SB 108), the provisions of Act 6 will prevail. Effective July 1, 2002 until June 30, 2006.

Act 4 (HB 118) amends R.S. 51:1784(C) to provide for the source data to be used to qualify for the enterprise zone program. This Act also amends Section 4 of Act No. 46 of the 2000 Regular Session of the Legislature to extend the effective date to June 30, 2006, for R.S. 51:1787(A)(2)(c), which provides for a $5,000 tax credit for each new job created by motor vehicle parts manufacturers. Effective April 17, 2002.

Act 6 (SB 108) amends R.S. 47:6007 to allow Louisiana domiciled taxpayers to take a state income tax credit for investments in state certified motion picture productions. The amount of the credit is based on 85 percent of the funds actually invested and expended within the state. This Act also enacts R.S. 47:1125.1 to provide for an employment tax credit for the employment of Louisiana residents in connection with the production of a motion picture. The credit may be applied to any income or corporation franchise tax liability applicable to the motion picture production company. If the motion picture company is an entity not subject to income or franchise tax, the credit shall flow through to its partners or members. Effective July 1, 2002.

Act 8 (HB 105) enacts R.S. 51:2351 et seq. to provide for the Technology Commercialization Credit Program. This Act authorizes the Department of Economic Development to award income and corporation franchise tax credits to qualified taxpayers for 15 percent of their investments in machinery and equipment and expenditures associated with obtaining the rights to use technology, including fees related to patents, copyrights, and licenses for taxable years beginning on or after January 1, 2003, until December 31, 2006. Effective July 1, 2002.

Act 9 (HB 106) enacts R.S. 47:6015 to authorize the Department of Economic Development to award income and corporation franchise tax credits to qualified taxpayers for increasing research activities in Louisiana. Any taxpayer who claims a federal tax credit under 26 U.S.C.A. §41(a) for increasing research activities is eligible for the state tax credit for taxable years beginning on or after January 1, 2003, until December 31, 2006. This Act also provides the rules and procedures for awarding credits. Effective April 17, 2002.

Act 38 (SB 55) amends R.S. 47:6005(D) to provide that steelworks and blast furnaces, including coke ovens and rolling mills classified as Standard Industrial Classification (SIC) Code 3312, may receive 100 percent of the credit allowed for purchases of qualified recycling equipment and any credit or credit carry-forward not used to offset taxes shall be refunded. Effective April 18, 2002.

Act 110 (HB 166) enacts R.S. 51:2453(1)(d) to add a National Basketball Association team that relocates to Louisiana and enters into a contract before November 1, 2003, to the list of industries that qualify for benefits under the Louisiana Quality Jobs Program Act. Effective July 1, 2002.

Act 112 (HB 169) amends R.S. 25:1223.1(A) and 1224(A)(10) and enacts R.S. 25:1222(C), 1223(A)(3), 1224(A)(14), 1226-1226.6, and R.S. 36:209(M)(3) to create the Atchafalaya Trace Heritage Area Development Zone and allow the Board of Commerce and Industry to grant five-year tax exemption and credit contracts for certain heritage based concerns located in development zones that have no more than 20 employees. Income and corporation franchise tax credits of $750 and $750 per new employee may be granted. Effective January 1, 2003.

Act 146 (HB 170) amends R.S. 39:100.1(B)(3)(a), relative to income taxes collected from nonresident professional athletes and sports franchises to be deposited into the Sports Facility Assistance Fund, to expand the definition of professional sports association or league to include the PGA Tour, Inc. The monies deposited into the fund are to be appropriated to the owner of the facility, course, stadium, or arena at which the nonresident professional athletes and professional sports franchises earned income in Louisiana for renovations, additions, operations, or maintenance of the facility, course, stadium, or arena. Effective April 23, 2002.

Miscellaneous

Act 153 (HB 144) amends R.S. 51:2452(A), 2453, 2454, 2455, 2457, 2458, 2460, and 2461 and enacts R.S. 51:2456 and 2462 to revise the quality jobs program to allow businesses that expand existing operations to qualify for the tax incentives. This Act also deletes the requirement that the business be a basic industry establishment and provides for payment of rebates to certain employers based on the gross payroll of new direct jobs in the state. Effective May 1, 2002.

Act 162 (SB 77) enacts R.S. 6:124.1(C)(4), R.S. 40:2195.7, R.S. 51:1030-1031, 1035-1037, and 1040 to create a strategic plan to combat poverty and to expand the enterprise zones provided by R.S. 51:1781 et seq. to provide for economic and tax relief within certain parishes. Effective April 26, 2002.

Sales Tax

Act 2 (HB 51) enacts R.S. 47:302.53, 322.45, and 332.51 to dedicate the proceeds of the state sales tax on hotel occupancy in Concordia Parish to the Concordia Parish Economic Development Fund. Effective July 1, 2002.

Act 3 (HB 104) enacts R.S. 47:301(10)(a)(v) to provide a sales and use tax exclusion on capital expenditures for new research equipment purchased by commercial biotechnology research companies. Effective July 1, 2002.

Act 5 (SB 85) enacts R.S. 47:301(10)(a)(v) to provide for a state sales tax exclusion until January 1, 2007, for purchases by a motion picture production company that has been granted relief from paying state sales and use tax under the Motion Picture Incentive Act, R.S. 47:1121 et seq. This Act also amends R.S. 47:1123(4) and (5), 1124, and 1125 to expand the definition of a motion picture to include nationally distributed videos, television series, or commercials made in Louisiana, to change the sales tax refund to a sales tax exclusion, and to reduce the expenditure requirement in a 12-month period from $1 million to $250,000. Effective July 1, 2002.

Act 7 (HB 30) enacts R.S. 47:301(16)(h), (22), and (23) and 305.52 to provide for a state sales and use tax exclusion for certain custom computer software to be phased in over a four-year period. This Act also allows political subdivisions to exempt sales of certain custom computer software. Effective July 1, 2002.

Act 71 (HB 44) enacts R.S. 47:322.45 and 332.51 to dedicate a portion of the state sales tax on hotel occupancy in Lafourche Parish to the Lafourche Association for Retarded Citizens Training and Development Fund. Effective July 1, 2002.

Act 73 (HB 46) amends R.S. 47:322.38 to change the dedication of the revenues from one percent of the state sales tax on hotel occupancy levied in Orleans Parish to provide that $2 million will be dedicated to the Ernest N. Morial Convention Center Phase IV Expansion Project Fund and the remainder deposited into the New Orleans Sports Franchise Fund. Effective July 1, 2002.

Act 98 (HB 127) amends R.S. 47:306(A)(1)(c) and enacts R.S. 47:306(A)(1)(d) to provide that state and local sales tax returns of any department, agency, board, commission, or other state entity must be filed annually unless the accumulated sales tax due to the state or any tax collector is $500 or more by the last day of any month before the close of the state's fiscal year, in which case the tax must be filed and paid before the 20th day of the month following the month during which the $500 threshold was exceeded. Effective April 18, 2002.

Act 99 (HB 128) amends R.S. 47:306(A)(3)(a) and (B)(4) to provide that compensation will be allowed to dealers, manufacturers, wholesalers, jobbers, and suppliers who timely remit taxes to the secretary of the Department of Revenue. Effective April 18, 2002.

Act 154 (HB 158) amends R.S. 51:1286(C) to dedicate a portion of the sales tax collected by the Louisiana Tourism Promotion District for the purpose of promotion of the state's tourism industry. Effective July 1, 2002.

Sales Tax-Local

Act 11 (SB 5) amends R.S. 47:302.24(B) and (C) and 322.8 and repeals R.S. 47:302.24(D) to provide for the allocation and use of state hotel occupancy tax proceeds credited to the Beauregard Parish Community Development Fund. Effective June 16, 2002.

Act 72 (HB 45) amends Sections 20 and 23 of Act No. 305 of the 1978 Regular Session of the Legislature to grant additional authority to the Ernest N. Morial-New Orleans Exhibition Hall Authority to issue bonds to finance expansion projects. This Act also provides for the levy and collection of an additional hotel occupancy tax and food and beverage tax. Effective April 18, 2002.

Act 88 (HB 77) enacts R.S. 33:2738.83 to provide for the creation of a hospital sales tax district in Vermilion Parish. Effective April 18, 2002.

2002 Regular Session of the Louisiana Legislature

Collection

Act 36 (SB 49) amends R.S. 47:3204(E) and 4302(D) and R.S. 51:1787(I) to provide that, if any tax collection agencies receive notice from the Board of Commerce and Industry that an exemption granted under a tax equalization, manufacturing establishment, or enterprise zone tax exemption contract has ceased due to a violation of the terms of the contract after the establishment has already received the exemption, then the amount exempted for the year in which the violation occurred, and for each year thereafter in which the violation is not remedied, will be considered a tax due as of December 31 of the year in which the violation occurred and for each year thereafter in which an exemption is used and the violation is not remedied. The Act further provides that the tax will be collected by the collecting agencies in the same manner and subject to the same provisions for the collection of other tax debts. Effective June 25, 2002.

Act 47 (SB 81) enacts R.S. 47:1602(D) to authorize the suspension of an exemption that has been granted to a taxpayer through a tax incentive contract if at any time during the contract there is a final, non-appealable judgment against the taxpayer for non-payment of taxes. The suspension is not applicable to ad valorem tax exemption contracts granted pursuant to Article VII, Section 21(F) of the Constitution of Louisiana. Effective August 15, 2002.

Excise Tax

Act 14 (HB 147) amends R.S. 26:345 and 347 to allow a refund or credit to wholesale dealers for taxes paid on beverages of low alcoholic content that have been damaged and are unfit for sale. Effective July 1, 2002.

Act 19 (HB 157) enacts R.S. 47:841(B)(4) and (5) to levy additional taxes of seven-twentieths of one cert per cigarette and five-twentieths of one cent per cigarette respectively. The tax is therefore increased from 24 cents per 20 pack to 36 cents per 20 pack. R.S. 47:841.1 was also enacted to create the Tobacco Tax Health Care Fund to which an amount equal to the avails of the taxes imposed by R.S. 47:841(B)(4) and (5) is to be deposited for use, subject to legislative appropriation. Effective July 1, 2002.

Act 21 (HB 167) extends the additional tobacco tax of four-twentieths of one cent per cigarette levied by Act No. 32 of the 2000 Regular Session until June 30, 2012, to maintain the 24 cents per 20 pack levy. Act 19 of the 2002 Regular Legislative session increased the tax levied from 24 cents per 20 pack to 36 cents per 20 pack. Effective July 1, 2002.

Act 28 (SB 13) enacts R.S. 47:801(13) to provide a definition of "fire truck" and enacts R.S. 47:803.2 to provide that a fire department or district may, under certain circumstances, purchase dyed fuel for use in the operation of fire trucks and pay the applicable state fuel tax directly to the Department of Revenue. Effective July 1, 2002.

Income and Corporation Franchise Tax

Act 10 (HB 143) amends R.S. 47:287.86(I) to provide that net operating losses generated after a reorganization cannot be carried back to a corporation that does not survive the reorganization. The Act also provides that a reorganization under Internal Revenue Code Section 368(a)(1)(F), commonly known as an F reorganization, will essentially be ignored for Louisiana corporation income tax purposes, being a mere change in form rather than substance. Effective June 7, 2002.

Act 11 (HB 145) amends R.S. 47:6006, 6006.1, 6008, 6012, and 6014 to allow estates and trusts to take the income tax credits provided by these sections for all taxable periods beginning after December 31, 2002. Effective August 15, 2002.

Act 16 (HB 149) amends R.S. 47:287.92(B) and 287.93(A) and repeals R.S. 47:287.94(H) and (I) and 289.95(I) to remove the provisions of Act 690 of the 1993 Regular Session from the corporation income tax statutes. Act 690 of 1993 was declared unconstitutional by the Louisiana Supreme Court in *Dow Hydrocarbons v. Kennedy*, 694 So.2d 215 (La. 5/20/97), and has since been ignored for purposes of computing the tax. Effective June 7, 2002.

Act 17 (HB 150) amends R.S. 47:287.732(A) and enacts R.S. 47:287.732(C) and 287.732.1 to provides the corporation income tax applicable to qualified Subchapter S subsidiary (QSub) corporations. In general, the QSub will be disregarded as a separate entity for Louisiana income tax purposes and treated as part of the S corporation parent for all taxable periods beginning after December 31, 2002. If the QSub is not disregarded, then it is required to compute its Louisiana corporation income tax as if the QSub and the S corporation parent had been required to file income tax returns with the Internal Revenue Service as C corporations for the current and all prior taxable years. Effective August 15, 2002.

Act 24 (HB 171) enacts R.S. 47:293(2)(c) and (d) to limit the deductibility of excess federal itemized deductions. For taxable years beginning after December 31, 2001, and ending prior to January 1, 2003, "excess federal itemized personal deductions" means 57.5 percent of the amount by which the federal itemized personal deductions exceed the amount of the federal standard deduction designated for the filing status used for the taxable period on the individual income tax return required to be filed. For taxable years beginning after December 31, 2002, and ending prior to January 1, 2004, "excess federal itemized personal deductions" means 65 percent of the amount by which the federal itemized personal deductions exceed the amount of the federal standard deduction designated for the filing status used for the taxable period on the individual income tax return required to be filed. Effective for all taxable years beginning after December 31, 2001.

Act 25 (HB 238) amends R.S. 47:297(B) and enacts R.S. 47:297.3 to revise the individual income tax credit for child-care expenses. The credit for child-care expenses shall be calculated using a percentage based on the individual's federal adjusted gross income and the amount of credit for child care expenses claimed on the resident individual's federal tax return. This Act also amends R.S. 47:297(D)(3) to extend the suspension of the child education expense credit. Effective for all taxable periods beginning on or after January 1, 2003.

Act 30 (SB 38) amends R.S. 47:293(7) and enacts R.S. 47:293(6)(a)(vii), 297.3, 300.6(B)(2)(d), and 300.7(C)(2)(c) to authorize an "S Bank" shareholder to exclude "S Bank nontaxable income" as defined in R.S. 47:297.3 from individual tax table income. Effective for tax periods beginning on or after January 1, 2003.

Act 32 (SB 42) enacts R.S. 47:6016 to grant a refundable credit against income and corporate franchise taxes for purchases by a taxpayer of specialty apparel items from a Private Sector Prison Industry Enhancement (PIE) contractor. PIE contractors use inmate labor to produce items for sale and then pay 30 percent of the salary paid to the inmates back to the state. The credit is equal to the state sales and use taxes due on purchases from the PIE contractor. The Act is effective January 1, 2003, for income and franchise tax becoming due on and after January 1, 2003. These provisions are ineffective on January 1, 2006, unless the Constitution is changed to require fiscal only sessions in odd numbered years. In that case, these provisions are ineffective on January 1, 2007.

Act 38 (SB 58) amends R.S. 47:603 to exclude from borrowed capital certain indebtedness of vehicle, boat, and equipment dealers in computing corporation franchise tax owed. The Act removes from the definition of borrowed capital the amount of master loan agreements entered into by motor vehicle, manufactured homes, recreational vehicles, boat, motorcycle, motor home or farm implement dealers. The loan agreements must be structured in such a way that the financing is secured by a specific identifiable unit and the loan is repaid as each unit is sold. Effective June 25, 2002.

Act 51 (HB 36) amends R.S. 47:32(A), 112(A), 287.445(C), 293(6)(a)(iv) and (7), 295, and 1623(D) and repeals R.S. 47:112(B) and (C), 293(2) and (6)(a)(i), and 296 to revise the state individual income tax brackets and repeal the deduction for excess federal itemized deductions. The Act will become effective for taxable periods beginning after December 31, 2002, if the constitutional amendment proposed in HB 31 of the 2002 Regular Session is adopted and becomes effective.

Act 54 (HB 55) enacts R.S. 47:297(M) to allow a credit equal to 10 percent of the total amount of federally qualifying long-term care insurance premiums paid annually by an individual against the individual income tax. The credit cannot exceed the total tax liability in any taxable year. Taxpayers applying for the credit must complete a form prescribed by the department. The Act becomes effective when the legislature enacts a special fund to finance the credit. Effective June 30, 2002.

Act 59 (HB 98) enacts R.S. 47:602(F) to provide a deduction from taxable capital when computing franchise tax for insurance holding corporations that own at least 80 percent of the capital stock of subsidiary property and casualty insurance corporations, if the subsidiary has capital and surplus of less than $20 million. The holding corporation can deduct from its taxable base an amount equal to its investments in and advances to the subsidiary that were allocated to Louisiana under R.S. 47:606(B). The deduction is allowable for franchise tax years beginning after June 30, 2002, until January 1, 2005. Effective July 1, 2002.

Act 60 (HB 122) enacts R.S. 47:6016 to allow for a credit, not to exceed 25 percent for any taxable year, against income or corporation franchise tax liability due for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a down-town development district. The credit is limited to one credit per historic structure rehabilitated and may be used in addition to the 20 percent federal tax credit. The credit is equal to or less than $250,000. Unused credits may be carried forward or sold. Effective July 1, 2002, and remains effective for all taxable years ending before January 1, 2005.

Act 65 (HB 141) enacts R.S. 47:287.95(K) and R.S. 47:606(A)(1)(e) relative to corporation income and franchise tax apportionment for television, radio, or other broadcasting businesses. The Act provides methods for determining the revenue to be attributed to Louisiana in the numerators of the existing revenue factors. In general, the methods attribute revenue to Louisiana based on audience factors. The provisions apply to income tax years beginning after December 31, 2001, and franchise tax years beginning after December 31, 2002.

Act 66 (HB 153) enacts R.S. 47:6015 to provide a tax credit from income or corporation fran-chise taxes for qualified low-income community investments. The total credits taken cannot exceed total combined income and corporation franchise tax liability for the taxable year. Credits not used in the first taxable year eligible for use will carry forward and are eligible for use in future taxable years. The aggregate amount of credits for all taxpayers during any taxable year cannot exceed $5 million. The credit must be applied for on forms prescribed by the secretary and will be allocated on a first-come, first-served basis. If any amount of the federal tax credit available for a qualified equity investment eligible for the credit is recaptured under the provi-sions of Internal Revenue Code §45D, the department is authorized to recapture a percentage of the credit granted equal to the percentage of the total federal credit earned that is recaptured. Effective September 1, 2002, and becomes null and void on August 31, 2006.

Act 68 (HB 190) enacts R.S. 47:201.1(E) to authorize an exemption from composite payment requirements for nonresident partners of a publicly traded partnership. The exemption must be requested in writing and, if granted, will be effective for three years from the date granted. A new request must be submitted to continue the exemption at the end of the three-year period. The exemption may be revoked if the nonresident partners fail to file and pay individual income taxes. The Act defines a “publicly traded partnership” and provides that these partnerships must file a composite return that includes nonresident partners who were partners on December 31 of the year prior to the due date of the return. Effective for all taxable years beginning after December 31, 2002.

Act 78 (HB 252) provides a credit against Louisiana income and franchise taxes for certain economic development corporations. The credit is equal to the filing fee paid to the Louisiana State Bond Commission in the preparation and issuance of bonds as provided by R.S. 33:9020 through 9037. Effective June 25, 2002.

Act 84 (HB 267) amends R.S. 22:1068(E)(1), (2)(d), and (3), R.S. 51:1923(1)(5), and (6)(a)(i), 1924(B)(D)(1)(2)(5), and (E) and (F), 1926(A)(1)(2)(3)(a), and (H)(3), 1927(A), 1927.1, 1928(B)(2)(C)(3), and 1931, and enacts R.S. 51:1923(11) through (20), 1924(D)(6), 1926(A)(4), 1927.2, 1928(B)(3), 1934(C), and 1935(C), relative to certified capital companies. The Act extends the period in which new capital can be certified into the capital companies (CAPCO) program until December 31, 2003. Total insurance premium credit that is generated for invest-ments by insurance companies in capital companies is reduced to 100 percent (from 110 percent). Income tax credits remain at 35 percent of capital allowed into the program, but are limited to $2 million per year of tax reduction (from $4 million). Premium tax credits associated with new capital allowed into the program are reduced to $5 million per year (from $8 million). Premium tax credits generated from new capital cannot be taken against tax liabilities for two years. Thereafter, premium tax credits can be taken at a rate of 12.5 percent per year until 100 percent of credits generated have been claimed. Unused credits generated after December 31, 1999 may carry forward. Effective June 25, 2002

Miscellaneous

Act 88 (Constitutional Amendment) (HB 31) amends Article VII, Section 4(A) and adds Article VII, Section 2.2 of the Constitution of Louisiana to provide for a new limitation on individual income tax brackets and prohibit the imposition of state sales and use tax on food for home consumption, consumer purchases of certain utilities, and prescription drugs. This Act shall become effective on January 1, 2003, if passed by the voters during the statewide election to be held on November 5, 2002.

Act 15 (HB 148) amends R.S. 47:1205(A) to make the amount to be excluded annually per donee for gift tax purposes be equal to the amount of the federal exclusion associated with gifts. This Act is applicable to gifts made after December 31, 2001. Effective August 15, 2002.

Act 72 (HB 225) amends R.S. 47:297(H)(2) and (3) and R.S. 47:305(D)(1)(t) to provide an income tax credit for a dentist who, after July 1, 2002, establishes and maintains the primary office of his practice in a parish or other geographic area in the state designated as a Dental Health Professional Shortage Area (HPSA) by the U.S. Department of Health and Human Services' Bureau of Primary Health Care Division of Shortage Designation (DSD) as per Section 332 of the Public Health Service Act. Subject to the limits in R.S. 47:297(H)(3), the credit continues to be available to the dentist if the Dental HPSA designation is withdrawn after the dentist establishes a practice in a Dental HPSA. The Act also exempts from all sales and use tax any and all dental devices used exclusively by the patient or administered exclusively to the patient by a dentist or dental hygienist in connection with dental or health care treatment. Effective June 25, 2002.

Sales Tax

Act 2 (HB 40) amends R.S. 47:305.50(A)(1)(a)(i) and (ii) to extend the exemption for trucks of at least 26,000 pounds gross weight, trailers, and contract carrier buses, when at least 80 percent of their use occurs in interstate commerce through June 30, 2004. Effective June 30, 2002.

Act 4 (HB 54) amends Section 2 of Act No. 29 of the 1996 Regular Session of the Legislature, as amended by Act No. 21 of the 1998 Regular Session of the Legislature, as amended by Act No. 28 of the 2000 Regular Session of the Legislature, relative to sales and use tax. The Act deletes the termination date for the exemption for purchases of boiler fuel and provides that the boiler fuel exemption provided in R.S. 47:305(D)(1)(h) is effective, except to the extent that it is suspended by Act 22 of the 2002 Regular Session of the Legislature. Effective June 30, 2002.

Act 20 (HB 166) amends R.S. 47:551(A) and enacts R.S. 47:551(D)(3) and (4) to extend the automobile rental tax levy from June 30, 2002, to June 30, 2012, and to dedicate the local tax collected in Jefferson and Orleans Parishes. Effective July 1, 2002.

Act 22 (HB 169) enacts R.S. 47:302(Q), 321(H), and 331(O) to continue the suspension of most state sales tax exemptions through June 30, 2004. While most statutory sales tax exemptions will continue to be taxed at the full rate of 4 percent, the rate of state sales tax on food for home consumption, electricity, water, natural gas, and steam will be reduced beginning July 1, 2002, from 4 percent to 3.9 percent. Act No. 22 also provides that the rate of tax on these transactions will be reduced again on July 1, 2003, from 3.9 percent to 3.8 percent. The 4 percent rate will continue to apply to all of the transactions that have been subject to the 4 percent exemption suspension rate since July 1, 2000, except for the sales of food for home consumption, and electric, water, natural gas, and steam utilities. Effective July 1, 2002.

Act 27 (SB 11) enacts R.S. 47:305.14(A)(5) to provide for an exemption to the state and political subdivision sales and use taxes for nonprofit literacy organizations. Purchases of tangible personal property or taxable services by nonprofit literacy organizations in compliance with the court order from *Brumfield v. Dodd* (405 F.Supp. 338 (1975)) and Internal Revenue Code § 501(c)(3) are exempt from state and local sales and use tax. The purchases are limited to books, workbooks, computers, computer software, films, videos, and audiotapes. Effective July 1, 2002.

Act 31 (SB 39) enacts R.S. 47:305(I) to provide exemptions from state and local sales and use taxes for repairs and materials used on drilling rigs and equipment used exclusively for exploration and development of minerals outside the territorial limits of the state in Outer Continental Shelf waters. The sale of materials, services, and supplies as well as labor used to repair, renovate, or convert any drilling rig, or machinery and equipment that are component parts used exclusively for the exploration or development of minerals outside the territorial limits of Outer Continental Shelf waters are exempt from state and local sales and use taxes. Effective July 1, 2002.

Act 40 (SB 62) amends R.S. 47:305.1(C) and enacts R.S. 305.1(D) to define the term "foreign or interstate coastwise commerce" and to provide an exemption for certain shipbuilding materials, equipment, and machinery from state and local taxes. The provisions of this Act are intended to explain and clarify the original intent of R.S. 47:305.1. Effective June 25, 2002.

Act 41 (SB 70) amends R.S. 47:305.1(C) and enacts R.S. 47:305.1(D) pertaining to the state and local sales tax exemption for ships and ships' supplies to define "foreign or interstate coastwise commerce" and "component parts." Effective June 25, 2002.

Act 49 (HB 26) amends R.S. 47:302(P), 321(G), and 331(N) to extend the exemption for purchases of utilities by certain steelworks and blast furnaces through June 30, 2004. Effective on July 1, 2002.

Act 58 (HB 95) amends R.S. 47:301(10)(t) and (18)(h) to exclude telephone directories distributed free of charge by advertising companies not affiliated with telephone service providers from state tax. R.S. 47:301(14)(f) was also amended relative to the furnishing of cold storage to exclude space that is furnished pursuant to a bailment arrangement. Effective June 25, 2002.

Act 61 (HB 124) enacts R.S. 47:301(16)(h) to exclude from state sales and use tax the initial purchase of digital television and radio conversion equipment by certain FCC license holders. A credit is available for purchases after January 1, 1999, and before the effective date of the Act. The Act also provides for a local option. Effective June 25, 2002.

Act 62 (HB 130) amends R.S. 47:305(D)(1)(i) and (H) pertaining to the sales tax exemption for automobiles, trucks, and aircraft withdrawn from stock by dealers for use as demonstrators to no longer require approval by the Secretary of the Department of Revenue or that the vehicle be titled in the dealer's name if the vehicle has a dealer inventory license plate. Effective June 25, 2002.

Act 67 (HB 158) enacts R.S. 47:301(3)(h), (13)(g), and (24) to provide a state and local sales and use tax exclusion for certain costs of certain publishing businesses. For purposes of a publishing business that distributes its news publications at no cost to readers and pays unrelated third parties to print the news publications, the terms "cost price" and "sales price" mean only the lesser of the following costs: (1) the printing cost paid to unrelated third parties to print such news publications, less any itemized freight charges for shipping the news publications from the printer to the publishing business and any itemized charges for paper and ink; or (2) payments to a dealer or distributor as consideration for distribution of the news publications. Effective July 1, 2002.

Act 70 (HB 205) enacts R.S. 47:301(16)(h) to provide state and local sales and use tax exclusions of purchases of certain property by nonprofit blood banks and blood collection centers. Purchases of materials used directly in the collection, separation, treatment, testing, and storage of blood by nonprofit blood banks and nonprofit blood collection centers are excluded from the definition of tangible personal property. Effective July 1, 2002.

Act 71 (HB 207) enacts R.S. 47:301(16)(h) to provide a state and local sales tax exclusion from the definition of tangible personal property for apheresis kits and leuko reduction filters used by blood banks and blood collection centers. Effective June 25, 2002.

Act 85 (SB 86) enacts R.S. 47:301(10)(v), (13)(g), and (18)(i) to exclude cellular telephones, electronic accessories that are physically connected to cellular phones, and personal communication devices from state and local sales and use taxes when provided in conjunction with the sale of a cellular service contract. Section three of the Act provides that these amendments are interpretive notwithstanding the contrary interpretation given in *Mercury Cellular Telephone v. Calcasieu*, 787 So.2d 314 (La. 2001). Section four provides a limited amnesty for cellular service providers for taxable periods beginning January 1, 2001, through December 31, 2001. Taxing authorities are required to adopt rules for implementing the amnesty program by August 1, 2002. Section two enacts R.S. 47:301(13)(h) to provide that after January 1, 2002, the sales price for cellular phones used in connection with the sale or use of mobile telecommunication services shall be the amount of money received from the purchaser or 25 percent of the dealer's cost, whichever is greater. Effective June 28, 2002.

Sales Tax-Local

Act 6 (HB 73) enacts R.S. 47:305.25(C) to authorize a city or parish school board, the governing authority of a municipality, and the governing authority of a parish to grant an exemption from all of its sales and use taxes for farm equipment as defined in R.S. 47:305.25(A). The governing authority of a parish may also exempt farm equipment from sales and use taxes of political subdivisions levied solely within the parish's territory, except municipal and school board taxes. Effective June 7, 2002.

Act 37 (SB 57) amends R.S. 47:305(D)(5) to exempt the sale of prescription drugs under Title XXI of the Social Security Act as administered by the Department of Health and Hospitals of the state of Louisiana from local taxes. This Act also defines the "administration of prescription drugs" in a physician's office as a professional service if certain criteria are met. The provision of the Act regarding sales of drugs under Title XXI is retroactive and applies to all taxes paid on these sales for tax periods beginning January 1, 1999. After July 1, 1999 the local taxing authorities may provide for an exemption for the sale of prescription drugs administered as a professional service and to provide for an amnesty for taxes previously paid. Effective June 25, 2002.

Act 42 (SB 71) amends R.S. 47:305(D)(4) to provide a local sales tax exemption for cancer and chemotherapy prescription drugs administered to patients by health-care professionals in a physician's office. Section Two of the Act provides that local taxing authorities may grant amnesty to persons who were responsible for collecting this tax since July 1, 1999, on transactions now exempt under this Act. Effective July 1, 2002.

Act 52 (HB 53) amends R.S. 33:4574.1-A(A)(1)(jj) to increase the hotel occupancy tax rate that the West Baton Rouge Parish Tourist Commission may levy from three percent to four percent. Effective June 25, 2002.

Act 56 (HB 82) amends R.S. 47:301(16)(g)(iii) and (iv) to extend the definition of tangible personal property as it applies to excluding certain transactions relating to manufactured homes to all tax authorities in the state. The exclusion as it relates to local sales and use tax will be phased in beginning January 1, 2003. Effective July 1, 2002.

Act 64 (HB 135) amends Section 3 of Act 12 of the 1996 Regular Session, as amended by Act 10 of the 1998 Regular Session and Act 28 of the 2000 Regular Session, to make permanent the exclusion from local sales or use taxes for vehicles purchased for subsequent lease or rental. Effective June 30, 2002.

Severance Tax

Act 12 (HB 146) repeals R.S. 47:633.1, which provided a special seven cents per MCF severance tax rate for gas sold under a written agreement requiring seller to pay tax without reimbursement or with less than 50 percent reimbursement. To qualify for this special tax rate, the gas had to be sold for less than 52 cents per thousand cubic feet or 50 cents per million British thermal units under a written agreement in existence before July 1, 1970. Effective June 7, 2002.

Act 74 (HB 236) amends R.S. 47:633(7)(c)(iv)(aa) to reactivate the severance tax exemption for inactive oil and gas wells that have been returned to service during the period beginning July 1, 2002, and ending June 30, 2006. Under the current law, this exemption was available to inactive wells that were returned to service beginning July 31, 1994, and ending June 30, 2000. To qualify for the exemption, the well must have been inactive for two or more years or had 30 days or less of production during the past two years. Applicants for the exemption must apply to the Department of Natural Resources for inactive well status before beginning production. After obtaining inactive well certification, all production from the well is exempt from severance tax for two years from the date production begins or 90 days from the date of application, whichever occurs first. Effective June 25, 2002.