State of Louisiana
Department of Revenue

2003-2004

Tax Exemption Budget

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Annual Tax Exemption Budget
Part 1

Introduction

Statutory requirements

The Louisiana Department of Revenue is required by Section 1517 of Title 47 of the Louisiana Revised Statutes to prepare an annual tax exemption budget. This report must include the following information pertaining to the state's tax exemptions:

1. Listing of each exclusion, exemption, credit, refund, preferential tax rate, or deferred tax liability
2. Legal citation
3. Purpose
4. Estimate of the revenues lost for the preceding three years
5. Estimate of the revenues lost for the current and ensuing fiscal year
6. Estimated cost of administering and implementing each exemption for the five years reflected in this report.

The Department is able to provide all of the required information except for the costs of administering and implementing each tax exemption. We do not have the data available to estimate these costs with any degree of accuracy.

In addition to the above data, this report must also contain the following information as it applies to specific tax exemptions:

- A determination of the tax exemption's effectiveness in fulfilling the purpose for which it was enacted; i.e., did the intended recipient benefit and, if not, who did benefit;

- An assessment as to whether the tax exemption is the most fiscally effective means of achieving its purpose;

- An evaluation as to whether unintended or inadvertent effects, benefits, or harm was caused by the tax exemption, including whether the tax exemption conflicts with other state statutes; and

- An evaluation as to whether the tax exemption simplifies or complicates the state tax statutes.

Contents of the Report

In addition to the Introduction (Part 1), the report consists of an Overview (Part 2), a Five-Year Estimate of Revenue Loss (Part 3), and a Listing of Exemptions (Part 4).

Part 2, the Overview, provides a general discussion of the tax exemption report and additional information on tax collections by the Department of Revenue.

Part 3, the Five-Year Estimate of Revenue Loss, is a listing of each exemption and the fiscal losses for the preceding three years, the current year, and the ensuing year as required. Preceding the listing is a summary of all taxes arranged in order of the magnitude of the revenue loss.

Part 4, the Listing of Exemptions, is arranged alphabetically by major tax type and provides the following general information on each tax exemption: the legal citation, legislative origin, effective date, purpose, and administration. Each section begins with an index listing individual tax exemptions, the legal citation, and page number. The index is followed by a general discussion of the tax, the tax base, rate of imposition, and any recent significant changes to its imposition or administration.

Part 2. Overview

Introduction

The state's tax laws authorize a large number of exemptions, exclusions, deductions, credits, preferential tax treatments, and tax deferrals that substantially reduce the tax collection revenues. These special provisions are designed to encourage certain activities or to limit the tax burden on specific individuals or endeavors. The purpose of this report is to provide a comprehensive listing of all tax exemptions and to quantify the fiscal cost of the various tax exemptions, exclusions, deductions, and credits.

What is a tax exemption?

For the purpose of this report, the term ***exemption*** is used to describe all exemptions, exclusions, deductions, credits, preferential tax treatments, and tax deferrals. Tax exemptions are tax dollars that are not collected and result in a loss of state tax revenues available for appropriation. In this sense, the fiscal effect of tax exemptions is the same as a direct fund expenditure. This report includes all tax exemptions provided for by state statutes for taxes administered by the Department of Revenue.

State exemptions versus total exemptions

There are several statutory tax exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions are separately grouped at the end of each tax section.

Measuring the tax exemptions

In order to accurately interpret the data contained in this report, the methods of calculation and assumptions should be noted.

All revenue loss estimates in this report are based on information gathered from various sources. The most reliable information was obtained from the actual tax return data. Unfortunately, this information was not always available and other sources were used. This was the case for many of the sales tax exemptions.

In estimating the fiscal effect for each exemption, the following assumptions were made:

- Each tax exemption revenue loss was considered separately and it was assumed that all other elements of the tax system remained unchanged.
- The calculations of the revenue loss for a specific tax exemption did not consider any side effects that could result from the removal of any other exemption in another tax.
- Each estimate was made in isolation. If two or more items were eliminated within the same tax, each adjustment was computed independently.
- All estimates are only as good as the assumptions used to complete the necessary calculations. If little data was available, the estimates included numerous assumptions.

Terminology

For the purposes of this report the following terminology is used to describe the fiscal effects:

- ***Negligible*** is used if the tax exemption was estimated at $10,000 or less;
- ***No data*** is used to indicate that data was not available from any source to estimate the past revenue loss;
- ***Unable to anticipate*** is used to indicate that data was not available from any source to predict the future revenue loss; and,

- ***NRR*** is used to indicate that there is no reporting requirement for the data. This was generally the case for income tax and corporation franchise tax exemptions. Many of the corporations exempted are not required to file tax returns. For this reason, we do not have data available to calculate the fiscal effect for these exemptions.

Sales Tax – A special situation

Estimation of the fiscal effect for sales tax exemptions is complicated by the suspension of exemptions beginning in 1986.

In 1986, the effectiveness of the exemptions was temporarily suspended for one year under a House Concurrent Resolution resulting in the taxation of sales, services, and rentals that had previously been nontaxable, including food and utilities. The suspended exemptions were taxed at the rate of one percent. This suspension has been continued through a series of Resolutions and Acts at various rates of suspension. The current suspension of exemptions was passed in the 2002 Regular and Special Legislative Sessions to extend the suspension through June 30, 2004.

Until the suspension of the exemptions began in 1986, the primary method of extending any tax benefits to taxpayers was through the exemption statutes under R.S. 47:305. In addition, the definitions under R.S. 47:301 contain exclusions that are not affected by the suspension of exemptions. In order to extend tax relief to taxpayers, the Louisiana Legislature began enacting exclusions from the tax under the definitions in R.S. 47:301, rather than the exemptions under R.S. 47:305. Some of the exclusions replaced existing exemptions that were taxable under the suspension of exemptions. This action resulted in two statutes affecting the same subject. In 1998, the Louisiana Legislature repealed most of these exemptions leaving only the exclusion as the statutory authority.

For fiscal years 1997-98, 1998-99, and 1999-2000, the exemptions were suspended at the rate of three percent. For fiscal year 2000-2001 and 2001-2002, the exemptions are suspended at the rate of four percent.

Legislation to suspend most exemptions at the 4 percent state sales tax rate for fiscal years 2002-2003 and 2003-2004 was enacted during the 2002 Regular Session by Act 22. Effective 7/1/2003 the state sales tax rate on sales of steam, electric power or energy, water and natural gas for other than residential use will be reduced from 3.9 percent to 3.8 percent. Act 22 also made R.S. 47:321(H) permanently inapplicable, inoperable, and of no effect from July 1, 2002 forward. Therefore, 1 percent of the suspended tax rate will remain in effect and the impact is reflected in FY 2004-2005 estimates.

There are some special words or terms used in the sales tax section. These terms and the meaning of these terms are as follows:

- "Suspended" is used to indicate that a particular exemption is being fully taxed because of the suspension of the exemption; hence no fiscal loss. This term is used for the fiscal impacts in the fiscal year 2003-2004.

- "See Number (N)" indicates that the fiscal impact for that exemption is included with the fiscal impact of the referenced exclusion/exemption. This will apply to those exemptions that have been superceded by an exclusion or grouped with a like exclusion/exemption.

Other Credits - Corporation Income and Franchise Taxes

Several of the corporation income tax and franchise tax credits are combined on one line on the tax return. For this reason, we are unable to calculate the individual losses for these credits, but we are able to determine the total revenue loss. We have grouped these credits together under the heading ***Other Credits*** and the total revenue loss is shown on the table.

Tax collections versus tax exemptions

The largest fiscal losses due to tax exemptions stem from five major taxes: sales tax; income tax, which includes individual and corporation; severance taxes; inheritance tax; and corporation franchise taxes. The bar graph on page 6 compares the revenue loss from these tax exemptions with the tax collections for FY 2002-2003.The comparison includes only the state tax exemptions; exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements are omitted.

In theory, the actual tax collections plus the tax exemption revenue losses should equal the total potential tax collections. The tax exemption revenue losses were divided by the total potential collections to arrive at the percentage of tax loss.

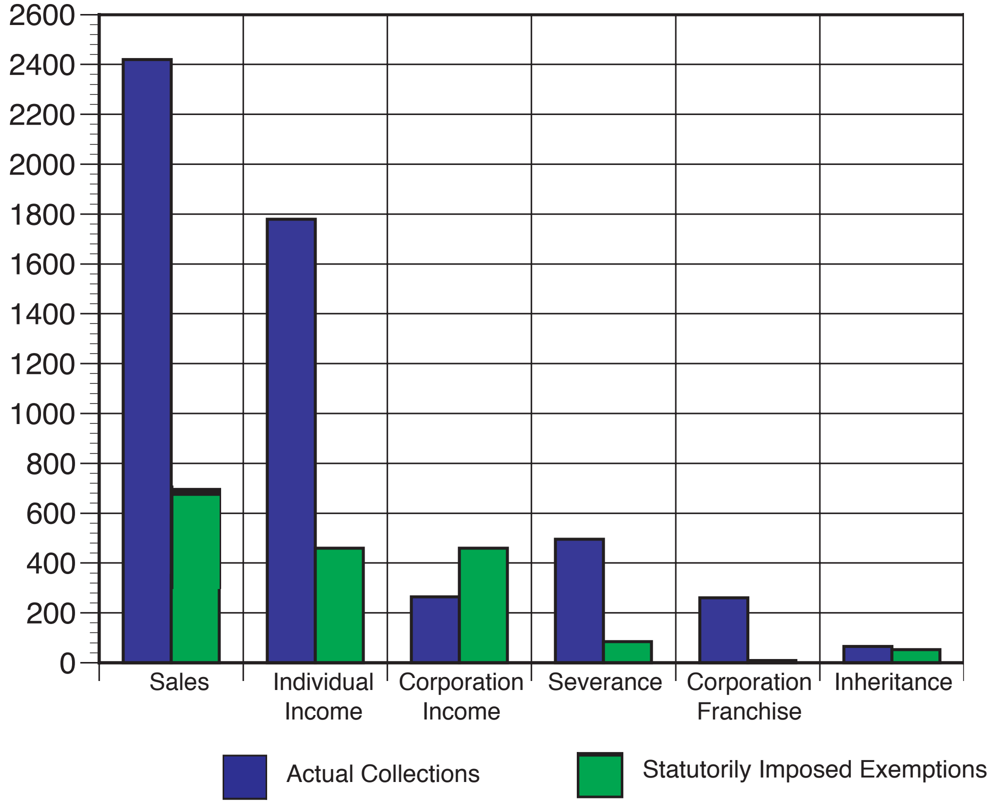
Top tax revenue losses

Sales, individual income, and corporation income taxes are the taxes with the largest fiscal losses due to statutory exemptions. Analyses of the various exemption categories for these taxes for FY 2002-2003 can be found on pages 6 through 9. In categorizing the various exemptions, only state tax exemptions were included. Exemptions that are prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements were not considered.

Comparison of major tax exemptions

Comparisons of the major tax exemptions for the sales, individual income, and corporation income taxes with the exemptions allowed in southeastern states can be found on pages 10 through 12. In categorizing the major exemptions, statutory and constitutionally protected exemptions were considered.

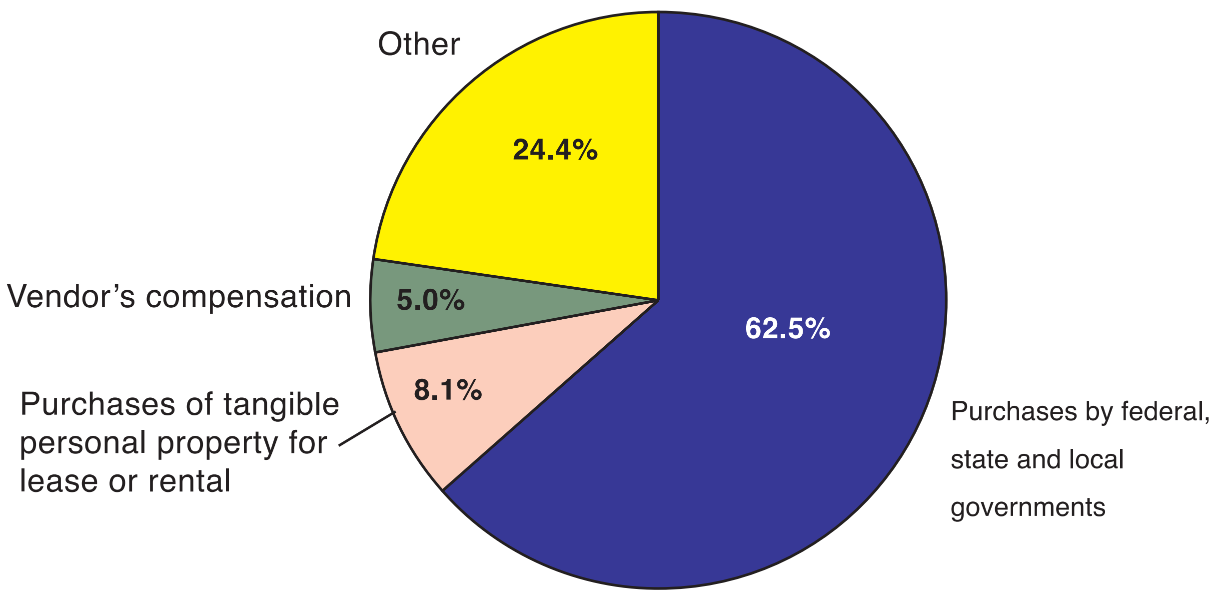
Analysis of Tax Collections vs. Exemptions
FY 2002-03



	Sales	Individual Income	Corporation Income	Severance	Corporation Franchise	Inheritance
Actual Collections	$ 2,271	$ 1,870	$ 198	$ 432	$ 187	$ 53
Estimated Exemptions	$ 691	$ 486	$ 512	$ 81	$ 9	$ 32
Total Potential Collections	$ 2,962	$ 2,356	$ 710	$ 513	$ 196	$ 85
Percentage of tax loss	23%	21%	72%	16%	5%	38%

In Millions of Dollars

Top Tax Exemptions 2002-03
Sales Tax
(Statutorily imposed)

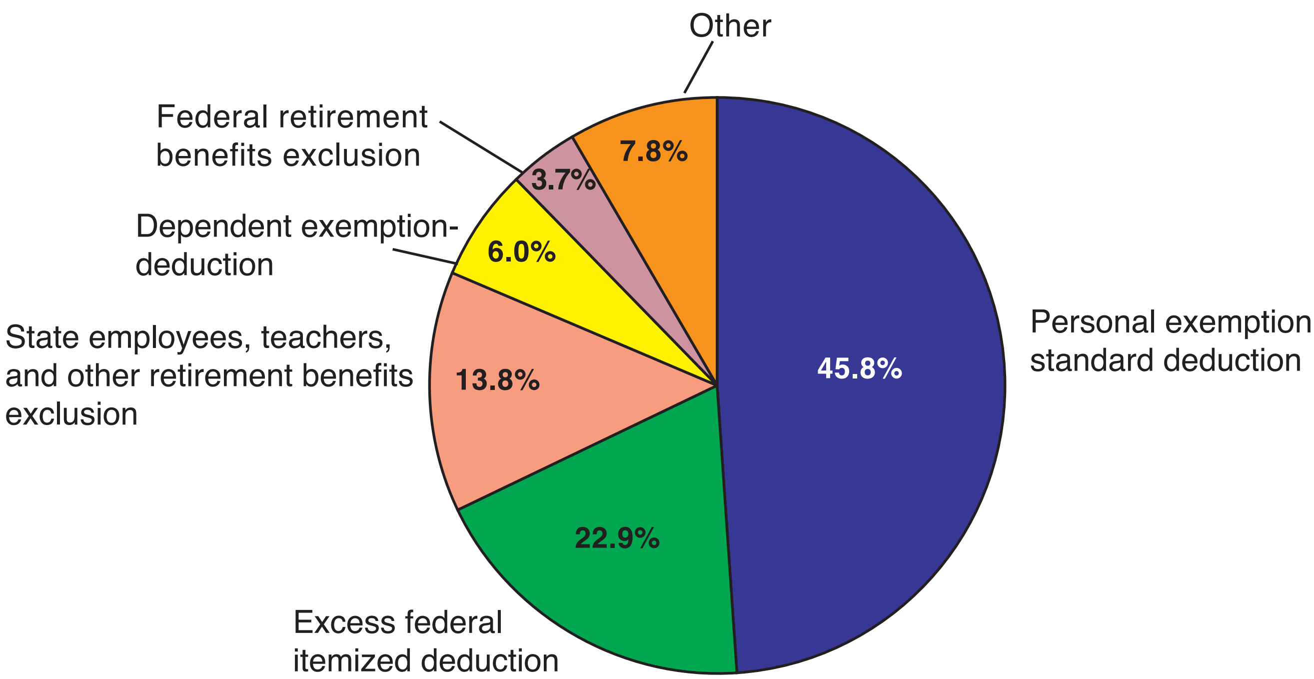


Purchases by federal, state and local governments	$230,778,650	62.5%
Vendor's compensation	$29,986,587	8.1%
Purchases of tangible personal property for lease or rental	$18,635,000	5.0%
Other Exemptions	$90,043,147	24.4%
[1]Total Exemptions	$369,443,384	100.0%

[1]The tax revenue loss has been adjusted from the amounts shown on page 37 to reflect the prohibition of taxation per the Constitution of Louisiana, Article VII, Section 2.2 (sales of food for home consumption, prescription drugs, and on electricity, natural gas and water sold to consumers for residential use).

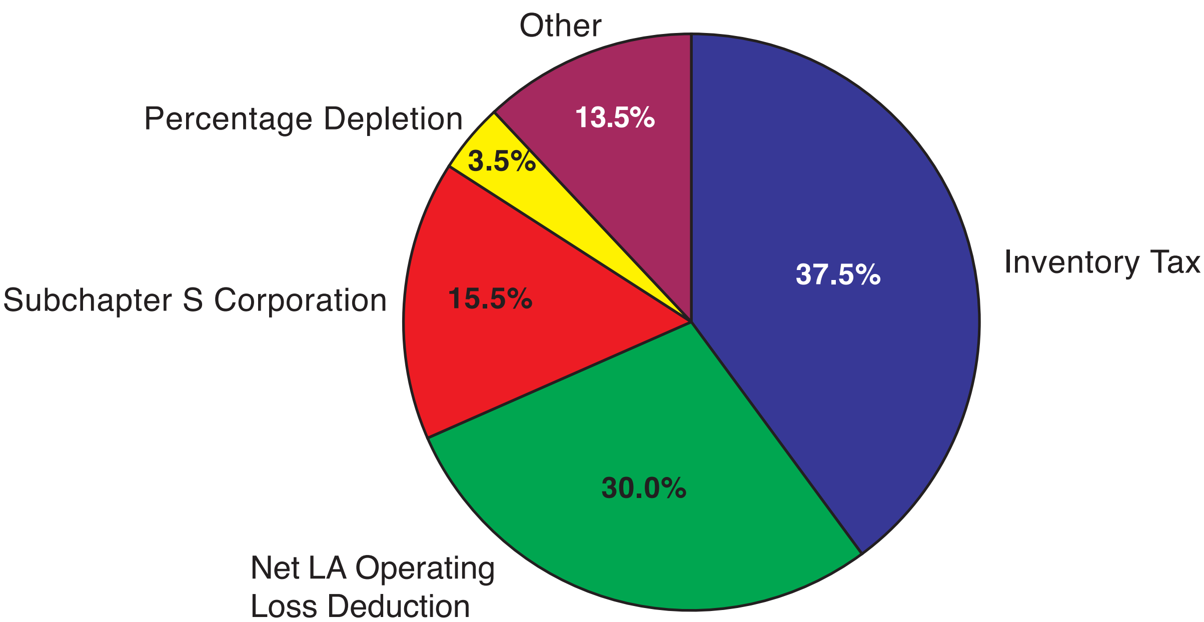
Top Tax Exemptions 2002-03

Individual Income Tax
(Statutorily imposed)



Personal exemption - standard deduction	$222,682,000	45.8%
Excess federal itemized deduction	$ 111,343,000	22.8%
State employees, teachers, and other retirement benefits exclusion	$ 67,483,000	13.8%
Dependent exemption - deduction	$ 29,647,000	6.0%
Federal retirement benefits exclusion	$ 18,100,000	3.7%
Other Exemptions	$ 36,766,000	7.8%
Total Exemptions	$486,021,000	100.0%

Top Tax Exemptions 2002-03
Corporation Income Tax
(Statutorily imposed)



Inventory Tax	$ 192,192,650	37.5%
Net LA Operating Loss Deduction	$156,000,000	30.0%
Subchapter S Corporation	$ 79,200,000	15.5%
Percentage Depletion	$ 18,000,000	3.5%
Other Exemptions	$ 66,540,000	13.5%
Total Exemptions	$ 511,932,650	100.0%

Sales Tax

Comparison of Major Tax Exemptions with Southeastern States

Louisiana	Alabama	Arkansas	Florida	Georgia	Kentucky	Mississippi	North Carolina	South Carolina	Tennessee	Texas	Virginia	West Virginia
Exemption												
1. Drugs, medical equipment and supplies, insulin, etc.	Exempt; includes prescription drugs; durable medical equip. only when under order of doctor by a provider to medicare recipient	Exempt prescription drugs, insulin strips, presctiption medical equipment and supplies	Exempt	Exempts prescription doctors and insulin, insulin strips, and blood monitoring strips	Drugs purchased by drugs and for profit healthcare providers, excluding hospitals, are taxable.[19]	Exempts prescription , the sale of home medical supplies and equipment paid for by Medicare or Medicaid.	See note[1] by doctors -	Drugs purchased and hospitals are taxable.	Exempt	Exempt	Exempt	Exempt
2. Food for further preparation	Taxable	Taxable	No tax	Exempts food as defined by Federal Food Stamp Act for off premises consumption	Exempt	Taxable[3]	No tax[2]	Taxable at 5% unless eligible food items under the Federal Food Stamp Act	Taxable At 6%; exempt when purchased with food stamps	Exempt	Taxable at 3%	Taxable
3. Trade-ins of like-kind property	Taxable Exc. MV	Taxable Exc. MV	No tax	No tax	No tax	No tax	Taxable Exc. MV	No tax	No tax	No tax	No tax	No tax
4. Electric power or energy	Taxable	[21]Taxable	Taxable[4]	Taxable[17]	Taxable[16]	Taxable[5]	Taxable	Taxable[6]	Taxable[7]	Taxable[8]	Exempt	Exempt
5. Natural gas	Taxable	Taxable	Taxable[4]	Taxable[18]	Taxable[16]	Taxable[5]	No tax[14]	Taxable[6]	Taxable[7]	Taxable[8]	Taxable[9]	Exempt
6. 1.1% vendor's compensation No Maximum	5%-up to $100; 2%-on remaining $400 max	2% prompt payment discount $1,000 per month maximum	2.5% on $1,200t ax/ maximum	3% on first $3,000/tax; 0.5% over $3,000	1.75% on $1,000 tax; 1% over. For periods after June 30,2003 max allowed per period is $1,500	2% $50 max per return; $600 max per year	No	3% less than $100/tax; 2% over; max $3,000 per year; $3,100 if return filed electronically	No[15]	.5% for timely filed; 1.25% for prepayments	Varies[10]	No
7. Property purchased for exclusive use outside the state (off-shore use)	Taxable unless delivered	Taxable	No tax[12]	Taxable[13]	Taxable unless delivered	Exempt	Exempt	Taxable	Taxable[20]	Exempt	Taxable	Taxable

[1]Exempts Prescription Drugs, Insulin, Nonprescription Drugs sold on written prescription, durable medical equipment covered under Medicare/Medicaid, certain medical aids, nutritional supplements sold by chiropractors and orthopedic supplies.
[2]No state sales tax; all counties charge a 2% local sales tax
[3]Unless purchased with food stamps or purchased with food instruments issued to the Mississippi Band of Choctaw Indians
[4]residential utilities are exempt; non-residential utilities are taxed at 7% unless used in an industrial manufacturing process at a fixed location within the state
[5]at the rate of 1.5%
[6]unless used in the manufacture of tangible personal property for sale, used in the production of poultry, livestock, swine and milk and used for residential purposes
[7]residential energy fuels are exempt; fuels used in manufacturing are taxed at a reduced rate (1.5%)
[8]unless used predominantly in manufacturing
[9]unless used in industrial production or delivered to customers through lines, mains, or pipes
[10]4% of 3% tax on first $62,000 taxable sales; 3% of 3% tax on taxable sales between $62,000 and $208,000; and 2% of 3% tax on taxable sales over $208,000
[12]as long as possession is taken outside the state
[13]exempts consumables and motor fuels placed in ships plying the high seas in interstate or foreign commerce
[14]No Tax: Sales tax was repealed and replaced by excise tax.
[15]Repealed July 1, 2000.
[16]Residential is exempt, industrial manufacturing capped at energy costs up to 3% of cost of production
[17]Georgia exempts the sale of electricity sold to farmers for exclusive use in a poultry structure and exclusive use for irrigation systems on row crops
[18]Georgia exempts the 4% tax on sales of natural gas sold to electricity manufacturers
[19]Effective 7/1/2004 The Streamlined Sales Tax Act will, in addition, exempt drugs administered by physicians and other healthcare providers in office.
[20]Effective 7/15/2002, the general state sales tax rate was raised to 7%; local option sales tax rates vary from 1.5% to 2.75%.
[21]Sale of first 500 kwh of electricity per month exempt for residential customers with HH income below $12,000 per year.

Individual Income Tax

Comparison of Major Tax Exemptions with Southeastern States

Louisiana	Alabama	Arkansas	Georgia	Kentucky	Mississippi	North Carolina	South Carolina	Virginia	West Virginia
Exemption									
1. Personal exemption $4,500 S/MS; $9,000 MJ/HH (This is a combined personal exemption/standard deduction)	$1,500 S $3,000 M	Tax credit $20 S/HH $40 MJ $20 MS	$2,700 each person	Tax credit $20 per taxpayer	$6,000 S $12,000 MJ $8,000 HH	$2,500[1] per taxpayer (SAF)	$3,050 per taxpayer (SAF)	$800 per taxpayer	$2,000 per taxpayer[11]
2. Standard deduction (Louisiana has a combined personal exemption/standard deduction – See figures above.)	20% of AGI maximum $4,000/MJ or $2,000 all others	$4,000/MJ $2,000 all others	$2,300/S or HH $3,000/MJ $1,500/MS	$1,830 per taxpayer indexed annually	$2,300/S $4,600/MJ $3,400/HH $2,300/MS	$3,000/S $5,000/MJ $2,500/MS $4,400/HH	$4,750/S $7,950/MJ $3,975/MS $7,000/HH (SAF)	$3,000/S $5,000/MJ $2,500/MS	No
3. Excess federal itemized deduction	(SAF) FICA deductible, medical limited to 4% instead of 7.5%	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax for states other than Georgia	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax	(SAF) Cannot deduct state tax	No
4. Dependent exemption-deduction $1,000 per dependent	$300 per dependent	$20 tax credit per dependent	$3,000 per dependent	$20 tax credit per dependent	$1,500 per dependent	$2,500[1] per dependent	(SAF) $3,050 per dependent[2]	$800 per dependent	$2,000 per dependent
5. State employees, teachers, and other	Yes	No[3]	No[3]	Yes[4]	Yes	Yes[5]	No[6]	Yes	Yes[7]
6. Federal retirement benefits exclusion	Yes	No[3]	No[3]	Yes[4]	Yes	$4,000 max exclusion[8]	No[9]	No[10]	Yes[7]
7. Federal income tax deduction	Yes	No	No	No	No	No	No	No	No

SAF=same as federal
S=single
MS=married filing separate
MJ=married filing joint
HH=head of household

Florida, Tennessee, and Texas do not have an individual income tax; Florida and Tennessee tax interest and dividend income from certain intangible assets.

[1] $2,000 if AGI is equal to or greater than threshold amount for filing status. A $60 tax credit is allowed for each dependent child for whom a personal exemption is claimed if the AGI is not over the threshold amount for filing status, as follows; $60,000/S; $100,000/MJ; $50,000/MS; $80,000/HH

[2] Children under six years of age receive a double exemption.

[3] Exclusions include cost of recovery and first $6,000 from employer sponsored retirement and qualified IRA's.

[4] State, local, and federal retirement income for service performed after 12/31/97 is treated the same as private pension income (up to $38,775 excludable)

[5] $4,000 maximum exclusion for state or local government retirement benefits; $2,000 maximum exclusion for private retirement benefits. Max of $4,000 for all retirement benefits, except that North Carolina state and local government employees who had five or more years of creditable service as of August 12, 1989 may exclude all retirement benefits from certain defined benefit plans, which include most state-sponsored retirement systems.

[6] All persons age 65 or older are eligible for an $11,500 deduction.

[7] Complete exclusion for benefits received under any WV police, WV fireman's retirement system, WV State Police death, disability and retirement fund, WV deputy sheriff retirement system. $2,000 exclusion for federal, military and WV public employees and teachers retirement systems; $8,000 exclusion for senior citizens ($16,000 on joint returns). Military retirees are also entitled to an additional exclusion (For tax years beginning after 12/31/2000 and ending prior to 1/1/2003, the additional exclusion equals 2% multiplied by the number of years of active duty multiplied by the first $30,000 of military retirement income. For tax years beginning after 12/31/02, the additional exclusion equals the first $20,000 of military retirement income.)

[8] Max of $4,000 for all retirement benefits, except that Federal government employees who had five or more years of creditable service as of August 12, 1989 may exclude all retirement benefits from certain defined benefit plans, including the Federal Employees' Retirement System and the United States Civil Service Requirement System.

[9] Social Security and railroad retirement are not taxable. $3,000 deduction from retirement income, $10,000 deduction from retirement income upon reaching sixty-five years of age – Also, upon reaching sixty-five years of age $15,000 deduction from any taxable income reduced by any retirement income deduction.

[10] A deduction is allowed in the amount of $6,000 for taxpayers age 62 through 64 and $12,000 for taxpayers age 65 and older.

[11] Except for those that are claimed as a dependent on another taxpayer's return. The exemption for a taxpayer claimed as a dependent on another person's return is limited to $500.

Corporation Income Tax

Comparison of Major Tax Exemptions with Southeastern States

Louisiana	Alabama	Arkansas	Florida	Georgia	Kentucky	Mississippi	North Carolina	South Carolina	Tennessee	Texas	Virginia	West Virginia
Exemption												
1. Net operating loss deduction (Carryback 3 years, carryforward 15 years)	Yes forward 15 years	Yes forward 5 years	Yes forward 15 years	Yes forward 20 years; carryback 2 years.	Yes[1]	Yes forward 20 years; carryback 2 years.	Yes forward 15 years[2]	Yes forward 15 years	Yes forward 15 years	Yes forward 5 years	Yes based upon federal provisions	Yes[3]
2. Subchapter S status recognized	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
3. Percentage depletion (22% of gross income limited to 50% of net income from the property)	12% of gross income from property[5]	Same As Federal	No	Same as federal	Yes	No	Yes[4]	No	No	Same as federal	No	No
4. Federal income tax deduction	Yes	No	No	No	No	No	No	No	No	No	No	No

[1]Same as federal provisions, effective for losses incurred for taxable years beginning after 8/15/97; except that the five year NOL carryback period enacted by the Job Creation and Worker Assistance of 2002 has not been adopted.

[2]For economic loss only; no carryback.

[3]Carryback and carryforward provisions are the same as federal provisions. However, no more than $300,000 of net operating loss from any taxable year may be carried back to any previous taxable year.

[4]In excess of cost depletion allowance on North Carolina property.

[5]Gross Income excludes rents or royalties. Limit computed on net income without allowance for depletion. In no case less than federal. In case of leases, equitably apportioned between lessor or lessee. (40-18-16(b)(2))

Part 3.
Five-Year Estimated Revenue Loss

Summary of all taxes (Statutorily imposed exemptions only) Five-Year Revenue Loss

Page	Tax type (Listed in order of magnitude by FYE 6-00)	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
19	Income tax - corporation	$ 449,408,000	$ 458,920,000	$ 511,932,650	$ 526,644,050	$ 541,985,450
23	Income tax - individual	$ 432,413,000	$ 461,558,000	$ 486,021,000	$ 4386,808,750	$ 398,388,500
37	Sales tax	$ 336,059,436	$ 350,090,503	$ 691,233,767	$ 390,998,545[1]	$ 572,520,725[1]
39	Natural resources - severance tax	$ 75,880,000	$ 84,879,500	$ 81,163,000	$ 83,965,500	$ 82,665,000
40	Inheritance tax	$ 63,587,800	$ 52,779,000	$ 31,769,500	$ 12,707,800	$ 2,541,560
41	Tax exemption & incentive contracts	$ 46,670,105	$ 31,500,378	$ 55,830,562	No data	No data
44	Corporation franchise tax	$ 8,495,000	$ 8,750,000	$ 9,023,000	$ 9,291,000	$ 9,438,000
45	Petroleum products taxes	$ 6,914,000	$ 6,969,200	$ 7,182,200	$ 7,205,000	$ 7,205,000
47	Tobacco tax	$ 5,847,000	$ 7,458,500	$ 7,441,000	$ 7,700,000	$ 7,700,000
48	Gift tax	$ 3,299,000	$ 3,399,000	$ 3,510,500	$ 3,557,000	$ 3,801,000
49	Liquors - alcoholic beverage taxes	$ 976,000	$ 973,000	$ 1,009,100	$ 1,015,000	$ 1,015,000
51	*Public utilities and carriers taxes	$ 675,000	$ 695,000	$ 695,000	$ 695,000	$ 695,000
51	*Telecommunication tax	$ 29,900	$ 29,900	$ 30,000	$ 30,000	$ 30,000
51	*Hazardous waste disposal tax	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Total tax revenue loss		$1,430,274,241	$1,468,021,981	$1,886,861,279	$1,430,637,645	$1,628,005,235

[1].The tax revenue loss has been adjusted from the amounts shown on page 37 to reflect the prohibition of taxation per the Constitution of Louisiana, Article VII, Section 2.2 (sales of food for home consumption, prescription drugs, and on electricity, natural gas and water sold to consumers for residential use).

* Included on the miscellaneous tax table

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions and exclusions					
1. Credit unions	NRR	NRR	NRR	NRR	NRR
2. Exemption for certain foreign corporations	NRR	NRR	NRR	NRR	NRR
3. Electric cooperatives	NRR	NRR	NRR	NRR	NRR
4. Exemption for events, activities, or enterprises conducted in domed-stadium facilities	NRR	NRR	NRR	NRR	NRR
5. Exemption for events, activities, or enterprises conducted in publicly-owned facilities	NRR	NRR	NRR	NRR	NRR
6. State banking corporations and shareholders	NRR	NRR	NRR	NRR	NRR
7. Dividends from national banking corporations	NRR	NRR	NRR	NRR	NRR
8. Interest on state or local government obligations	NRR	NRR	NRR	NRR	NRR
9. Governmental subsidies for operating public transportation systems	$0	$0	$0	$0	$0
10. Income from carriage on high seas	$0	$0	$0	$0	$0
11. Certain exempt corporations, organizations, etc.	NRR	NRR	NRR	NRR	NRR
12. Exemption for Certified Louisiana Capital Company	NRR	NRR	NRR	NRR	NRR

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Deductions					
13. Percentage depletion	$18,000,000	$18,000,000	$18,000,000	$18,000,000	$18,000,000
14. Net Louisiana operating loss	$169,000,000	$131,000,000	$156,000,000	$160,650,000	$165,500,000
Deductions *continued*					
15. Subchapter S corporation[1]	$66,000,000	$72,000,000	$79,200,000	$81,500,000	$84,000,000
Credits					
16. Corporation jobs	$356,000	$372,000	$358,000	$369,000	$380,000
17. Inventory tax[2]	172,000,000	$183,000,000	$192,192,650	$197,958,450	$203,897,000
18. Credit for ad valorem tax paid by certain telephone companies[2]	* * *	$28,960,000	$30,191,161	$31,096,000	$32,028,000
19. Credit for purchases from Prison Industry Enhancement[2]	* * *	* * *	$27,839	$28,600	$29,450
20. Louisiana capital companies	$2,200,000	$7,200,000	$7,825,000	$8,060,000	$8,300,000
Other credits - revenue loss for credits in shaded areas included in total for all "other credits"					
21. Cash donations to the Dedicated Research Investment Fund					
22. Hiring eligible re-entrants					
23. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions					
24. Neighborhood assistance					

[1]The amount of this estimated revenue loss takes into account that prior to this exclusion, Subchapter S corporations reduced net income with deductions for bonuses, salaries, and wages.

[2]The estimated revenue loss for the inventory tax credit includes the total revenue loss for individual income tax and corporation income and franchise taxes.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
25. Employment of the previously unemployed					
26. Alternative fuel usage					
27. Bone-marrow donor expense					
Other credits *continued*					
28. Employment of certain first time drug offenders					
29. Investment losses in certain film productions					
30. Donations to assist qualified playgrounds					
31. Louisiana basic-skills training					
32. Insurance company premium tax					
33. Certain refunds issued by utilities					
34. Donations to public elementary or secondary schools		* * *	* * *		
35. Low-income housing					
36. Employment in a qualified motion picture production	* * *	* * *	* * *		
37. Purchase of qualified recycling equipment					
38. Alcohol and other substance abuse programs for employees					
39. Donations of property to certain offices and agencies					

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
40. Donations of material, equipment or instructors made to certain training procedures					
41. Atchafalaya Trace heritage area development zone tax exemptions	* * *	* * *	* * *		
42. Credit for debt issuance costs	* * *	* * *			
43. Credit for rehabilitation of historic structures	* * *	* * *			
44. New markets credit	* * *	* * *	* * *		
45. Research and development credit	* * *	* * *	* * *		
46. Technology commercialization credit	* * *	* * *	* * *		
Other credits - total	$21,852,000	$18,388,000	$28,138,000	$28,982,000	$29,851,000
Total state revenue loss	$449,408,000	$458,920,000	$511,932,650	$526,644,050	$541,985,450
Exemption required by the state constitution					
47. Federal income tax deduction	$85,000,000	$67,000,000	$54,000,000	$56,000,000	$57,250,000
Total corporation income tax revenue loss	$534,408,000	$525,920,000	$565,932,650	$582,644,050	$599,235,450

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions and exclusions					
1. Annual retirement income exclusion	$8,620,000	$14,347,000	$13,722,000	$14,134,000	$14,558,000
2. Disability income exclusion	See note[1]	See note[1]	See note[1]	See note[1]	See note[1]
3. State employees, teachers, and other retirement benefits exclusion	$31,513,000	$62,294,000	$67,483,000	$69,507,500	$71,593,000
4. Federal retirement benefits exclusion	$17,339,000	$17,977,000	$18,100,000	$18,650,000	$19,209,500
5. Certain compensation paid to military personnel	* * *	* * *	Unable to anticipate	Unable to anticipate	Unable to anticipate
6. Exclusions for certain income reported to shareholders of banks organized as S Corps.	* * *	* * *	$884,000	$884,000	
7. Exemption for Estate and Trust	NRR	NRR	NRR	NRR	NRR
Deductions					
8. Disabled individual home adaptation expense	NRR	NRR	NRR	NRR	NRR
9. Dependent exemption/deduction	$28,919,000	$29,345,000	$29,647,000	$30,536,000	31,453,000
10. Excess federal itemized deductions	$85,127,000	$87,681,000	$111,343,000	Repealed	Repealed
11. Student Tuition Assistance	* * *	Unable to anticipate	Unable to anticipate	Unable to anticipate[2]	Unable to anticipate[2]
12. Personal exemption - standard deduction[3]	$225,709,000	$225,642,000	$222,682,000	$229,362,000	$236,243,000
Credits					
13. Net income taxes paid to other states	$28,012,000	$19,204,000	$17,946,000	$18,484,000	$19,039,000
14. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions	$220,000	$347,000	$325,000	$334,750	$345,000

[1]An individual with a permanent total disability may exclude up to $6,000 of annual disability income from adjusted gross income beginning on or after January 1, 2001. We have no data to estimate the revenue loss from the exclusion.
[2]Contributions made to a START Savings Program can be deducted from adjusted gross income beginning on January 1, 2001. We have no data to estimate the revenue loss from this deduction.
[3]The fiscal effect assumes no restrictions on eliminating this deduction. Assuming that to reduce this deduction below the levels in effect January 1, 1974, would require a constitutional amendment, 58 percent of the fiscal effect should be considered constitutionally protected.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Credits *continued*					
15. Certain disabilities	$1,244,000	$1,298,000	$1,303,000	$1,342,000	$1,382,000
16. Special credits	$1,464,000	$1,540,000	$1,587,000	$1,635,000	$1,684,000
17. Education	See note[1]	See note[1]	See note[1]	See note[1]	See note[1]
18. Inventory tax/Ad valorem tax	See note[2]	See note[2]	See note[2]	See note[2]	See note[2]
19. Property taxes paid by telephone companies	* * *	See note[3]	See note[3]	See note[3]	See note[3]
20. Credit for purchases from Prison Industry Enhancement Contractors	* * *	* * *	See note[4]	See note[4]	See note[4]
Other credits - revenue loss for all other credits in shaded areas included in total for all "Other credits - total"					
21. Low-income housing					
22. Louisiana capital companies					
23. Cash donations to the Dedicated Research Investment Fund					
24. Employment of the previously unemployed					
25. Alternative-fuel usage					
26. Small-town doctors					
27. Investment losses in certain film productions					
28. Louisiana basic-skills training					
29. Gasoline and special fuels taxes					

[1]Education credit is repealed effective for taxable periods beginning after December 31, 1999, and ending before January 1, 2006.

[2]The estimated revenue loss for the inventory tax credit is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

[3]An individual is allowed a credit of 40 percent of the total ad valorem taxes paid to Louisiana political subdivisions by telephone companies on their public service properties beginning with tax years after December 31, 2000. The estimated revenue loss is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

[4]The estimated revenue loss for the Prison Industry Enhancement Contractors credit is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Other credits *continued*					
30. Educational expenses incurred for a degree related to law enforcement					
31. Employment of certain first time drug offenders					
32. Bone-marrow donor expenses					
33. Purchase of bullet proof vest					
34. Donations to assist qualified playgrounds					
35. Employment related expenses for maintaining household for certain disabled dependents					
36. Family responsibility					
37. Employment in a qualified motion picture production		* * *	See Note[1]	See Note[1]	See Note[1]
38. Purchase of qualified recycling equipment					
39. Alcohol and other substance abuse programs for employees					
40. Donations of property to certain offices and agencies					
41. Donations of material, equipment, advisors, or instructors made to certain training providers					
42. Credit for rehabilitation of historic structures	* * *	* * *	* * *		

[2]The estimated revenue loss is shown on the Tax Exemption Contract tax table, Motion Picture Incentive.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Other credits *continued*					
43. New markets credit	* * *	* * *	* * *		
44. Atchafalaya Trace Heritage Area development zone tax exemption	* * *	* * *	* * *		
45. Research and development credit	* * *	* * *	* * *		
46. Technology commercialization credit	* * *	* * *	* * *		
47. Credit for certain child care expenses	* * *	* * *	* * *		
48. Credit for debt issuance costs	* * *	* * *	* * *		
49. Long-term insurance premiums credit	* * *	* * *	* * *	* * *	* * *
Other credits - total	$4,246,000	$1,883,000	$1,883,000	$1,939,500	$1,998,000
Total state revenue loss	$432,413,000	$461,558,000	$486,021,000	$386,808,750	$398,388,500
Exemption required by the state constitution					
50. Federal income tax deduction	$458,127,000	$442,810,000	$400,616,500	$412,635,000	$425,000,000
Total individual income tax revenue loss	$890,540,000	$904,368,000	$886,637,500	$799,443,750	$823,388,500

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exclusions					
1. Purchases by pari-mutuel race tracks	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
2. Purchases by off-track wagering facilities	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
3. Purchases, services and rentals for construction of sewerage or waste water treatment facility	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
4. Isolated or occasional sales of tangible personal property	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
5. Installation charges on tangible personal property	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
6. Installation of board roads to oil-field operators	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
7. Manufacturers rebates on new motor vehicles[1]	$5,200,000	$7,680,000	$12,511,222	$12,661,000	$12,914,450
8,. Manufacturers rebates paid directly , to a dealer	$2,130,000	$2,200,000	$2,350,000	$2,395,000	$2,442,900
9. Leases by railway companies and railroad corporations when they act as lessees	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
10. Room rentals at religious camp and retreat facilities	Negligible	Negligible	Negligible	* * *	Negligible
11. Rentals or leases of certain oil-field property to be re-leased or re-rented	$865,000	$880,000	$893,000	$910,800	$929,000

[1]Revised from Office of Motor Vehicles data.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exclusions *continued*					
12. Certain transactions involving the construction or overhaul of U.S. Navy vessels	$538,000	$549,000	$557,000	$568,000	$579,350
13. Rental or purchase of airplanes or airplane equipment and parts by Louisiana domiciled commuter airlines	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
14. Purchases and leases by free hospitals	$44,000	$45,000	$46,000	$47,000	$48,000
15. Certain educational materials and equipment used for classroom instruction	Suspended	$560,000	$568,000	$579,000	$579,600
16. Sales and rentals to Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc.	Negligible	Negligible	Negligible	Negligible	Negligible
17. Vehicle rentals for rerent to warranty customers	$102,000	$104,000	$106,000	$108,000	$110,150
18. Purchases by regionally accredited independent educational institutions	$183,000	$187,000	$190,000	$193,500	$197,300
19. Purchases by state and local governments	No data	No data	$230,778,650[1]	$235,394,250[1]	$240,102,000[1]
20. Purchases of certain bibles, songbooks, or literature by certain churches or synagogues for religious instructional classes	$550,000	$550,000	* * *	$600,000	$612,000
21. Purchases by the Society of the Little Sisters of the Poor	$25,000	$25,000	* * *	$25,000	$25,000

[1] This amount includes the total revenue loss for purchases by state and local goverment and sales to the U.S. goverenment (see #30). Estimate is based on Sales Tax Line item reports.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exclusions *continued*					
22. Purchases of tangible personal property for lease or rental	$18,000,000	$18,300,000	$18,635,000	$19,008,000	$19,388,150
23. Purchases of new research equipment by a biotechnology company	* * *	* * *	$1,300,000	$1,300,000	$1,326,000
24. Purchases by a motion picture production company	* * *	* * *	$1,500,000	$1,530,000	$1,560,600
25. Sales through coin-operated vending machines	$3,050,000	$3,100,000	$3,147,000	$3,210,000	$3,274,000
26. Natural gas used in the production of iron	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
27. Electricity for chlor-alkali manufacturing process	$5,786,000	$5,900,000	$5,989,000	$6,109,000	$6,231,000
28. Sales of human-tissue transplants	Negligible	Negligible	Negligible	Negligible	Negligible
29. Sales of raw agricultural products	$0	$0	$0	$0	$0
30. Sales to the United States Government and its agencies	No data	No data	Unable to anticipate	Unable to anticipate	See number $19
31. Sales of food items by youth organizations	$152,000	$155,000	$157,000	$160,000	$163,000
32. Purchases of school buses by independent operators	$355,000	$360,000	$365,000	$372,000	$379,500
33. Tangible personal property sold to food banks	Negligible	Negligible	Negligible	Negligible	Negligible
34. Pollution control devices and systems[1]	$488,200	$448,527	$798,365	$818,365	$834,750

[1]Revised amounts obtained from refunds issued.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exclusions ***continued***					
35. Certain aircraft assembled in Louisiana with a capacity of 50 people or more	$0	$0	$0	Unable to anticipate	Unable to anticipate
36. Pelletized paper waste used in a permitted boiler	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
37. Purchases of equipment by bonafide volunteer and public fire department	$162,000	$165,000	$167,000	$170,500	$174,000
38. Sales of telephone directories by advertising companies	* * *	* * *	$42,000	$42,000	$42,000
39. Sales of cellular telephones and electronic accessories	* * *	* * *	* * *	* * *	* * *
40. Articles traded in on tangible personal property	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
41. First $50,000 of new farm equipment used in poultry production	$142,000	$145,000	$147,000	$150,000	$153,000
42. Admissions to athletic or entertainment events by educational institutions and membership dues of certain nonprofit, civic organizations	$2,030,000	$2,070,000	$2,101,000	$2,143,000	$2,186,000
43. Admissions to museums	$1,117,000	$1,140,000	$1,157,000	$1,180,000	$1,203,600
44. Admissions to places of amusement at camp/retreat facilities	Negligible	Negligible	Negligible	Negligible	Negligible
45. Repair services performed in Louisiana when the repaired property is exported	$3,045,000	$3,100,000	$3,147,000	$3,210,000	$3,274,000

*** = Not in effect   NRR = No Reporting Requirement   Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exclusions *continued*					
46. Defined call centers	* * *	$795,000	$795,000	$253,000	$177,000
47. Telecommunication services through coin-operated telephones	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
48. Telecommunication services through interstate telephone calls	$23,700,000[2]	* * *	* * *	* * *	* * *
49. Miscellaneous telecommunications services	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
50. Coin bullion with a value of $1,000 or more	$193,000	$197,000	$200,000	$204,000	$208,000
51. Certain geophysical survey information and data analyses	$0	$0	$0	$0	$0
52. Work products of certain professionals	$0	$0	$0	$0	$0
53. Pharmaceuticals administered to livestock for agricultural purposes	Negligible	Negligible	Negligible	Negligible	Negligible
54. Used manufactured homes and 54 percent of cost of new manufactured homes	* * *	$4,880,000[1]	$4,271,664[1]	$4,357,000	$4,444,150
55. Purchases of certain custom computer software	* * *	* * *	$2,500,000	$5,000,000	$7,500,000
56. Certain digital television and digital radio conversion equipment	* * *	* * *	$1,110,000	$610,000	$622,000
57. Materials used directly in the collection of blood	* * *	* * *	$600,000	$600,000	$600,000
58. Apheresis kits and leuko reduction filters	* * *	* * *	$175,000	$175,000	$175,000
59. Donations to certain schools from resale inventory	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate

[1]Revised from Office of Motor Vehicle data.
[2]Revised from industry data provided for fiscal note (Acts 2000, No. 22).

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exclusions *continued*					
60. Use tax on residual or by-products consumed by the producer	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
61. Advertising services	$0	$0	$0	$0	$0
Exemptions					
62. Purchases by nonprofit electric cooperatives	Suspended	Suspended	Suspended	Suspended	$4,848,200
63. Purchases by a public trust	No data	No data	$0	$0	$0
64. Sales by state-owned domed stadiums	$1,218,000	$1,240,000	$1,259,000	$1,284,000	$1,309,700
65. Sales by certain publicly-owned facilities	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
66. Sales of farm products direct from the farm	$294,000	$300,000	$305,000	$311,000	$317,000
67. Racehorses claimed at races in Louisiana	Suspended	Suspended	Suspended	Suspended	$645,800
68. Feed and feed additives for animals held for business purposes	No data	Suspended	Suspended	Suspended	Unable to anticipate
69. Materials used in the production or harvesting of crawfish	Suspended	Suspended	Suspended	Suspended	$1,259,175
70. Materials used in the production or harvesting of catfish	Suspended	Suspended	Suspended	Suspended	$936,275
71. Farm products produced and used by the farmers	$74,100	$75,000	$76,000	$77,500	$79,000
72. Sales of gasoline (not subject to motor fuels tax)	Suspended	Suspended	Suspended	Suspended	Unable to anticipate

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions *continued*					
73. Sales of steam	Suspended	Suspended	Negligible	Negligible	Negligible
74. Sales of water[2]	Suspended	Suspended	$1,844,761[1]	$6,506,050[1]	$14,633,550
75. Sales of electric power or energy[2]	Suspended	Suspended	$23,981,895[1]	$84,578,740[1]	$190,236,050
76. Sales of newspapers	Suspended	Suspended	Suspended	Suspended	$2,811,900
77. Sales of fertilizers and containers to farmers	$0	$0	$0	$0	$0
78. Sales of natural gas[2]	Suspended	Suspended	$11,068,566[1]	$39,036,345[1]	$87,801,250
79. Materials and energy sources used for boiler fuel	Suspended	Suspended	Suspended	Suspended	Unable to anticipate
80. Trucks, automobiles, and new aircraft removed from inventory for use as demonstrators	Suspended	Suspended	Suspended	Suspended	$709,900
81. Drugs prescribed by physicians or dentists	$197,423,500[1]	$222,312,710[1]	$226,758,500	$231,293,700	$235,919,575
82. Orthotic and prosthetic devices, wheelchairs and wheelchair lifts, and patient aids prescribed by physicians	See number 73	See number 73	See number 81	See number 81	See number 81
83. Orthotic and prosthetic devices, wheelchairs and wheelchair lifts, and patient aids prescribed by licensed chiropractors	See number 73	See number 73	See number 81	See number 81	See number 81
84. Ostomy, colostomy, and ileostomy devices and equipment	See number 73	See number 73	See number 81	See number 81	See number 81

[1]Revised amounts obtained from sales tax line item reports.
[2]Reflects impact of Amendment of Article VII, Section 4(A) and passing of Article VII, Section 2.2 of the Constitution of Louisiana

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions *continued*					
85. Sales of food for preparation and consumption in the home, and food sales by certain institutions[1]	Suspended	Suspended	$58,136,660[2]	$208,087,400[2]	$212,249,150
86. Patient medical devices used in the treatment of a disease prescribed by a physician	See number 73	See number 73	See number 81	See number 81	See number 81
87. Dental orthotic and prosthetic devices, prostheses, and restorative materials	See number 73	See number 73	See number 81	See number 81	See number 81
88. Adaptive driving equipment and motor vehicle modification	Suspended	Suspended	Suspended	Suspended	$161,450
89. Fees paid by radio and television broadcasters for the rights to broadcast film, video, and tapes	Suspended	Suspended	Suspended	Suspended	$403,250
90. Kidney dialysis equipment and supply purchases or rentals	See number 73	See number 73	See number 81	See number 81	See number 81
91. Repairs of materials used drilling rigs and equipment	* * *	* * *	Unable to anticipate	Unable to anticipate	Unable to anticipate
92. Sales of 50-ton vessels and new component parts and sales of certain materials and services to vessels operating in interstate commerce	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate	Unable to anticipate
93. Sales of insulin for personal use	See number 73	See number 73	See number 81	See number 81	See number 81
94. Sales of seeds for planting crops	$47,700	$49,000	$50,000	$51,000	$52,000

[1]Reflects impact of Amendment of Article VII, Section 4(A) and passing of Article VII, Section 2.2 of the Constitution of Louisiana which reduces the tax rate on sales of water, electricity and natural gas to residential consumers to 2% on January 1, 2003 and then fully excluded effective July 1, 2003.
[2]Revised amounts obtained from the sales tax Line item report.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions *continued*					
95. Sales of admission tickets by Little Theater organizations	Suspended	Suspended	Suspended	Suspended	Negligible
96. Tickets to musical performances by nonprofit musical organizations	Suspended	Suspended	Suspended	Suspended	Negligible
97. Sales of pesticides for agricultural purposes	$1,624,000	$1,650,000	$1,675,000	$1,708,500	$1,742,670
98. Rentals of motion-picture film to commercial theaters	Suspended	Suspended	Suspended	Suspended	Negligible
99. Property purchased for exclusive use outside the state	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
100. Additional tax levy on contracts entered into prior to and within 90 days of tax levy	Suspended	Suspended	Unable to anticipate	Unable to anticipate	Unable to anticipate
101. Admissions to entertainment by domestic nonprofit charitable, educational, and religious organizations	Suspended	Suspended	Suspended	Suspended	Negligible
102. Sales of tangible personal property at or admissions to events sponsored by certain nonprofit groups	$2,540,000	$2,600,000	$2,639,000	$2,691,800	$2,745,600
103. Sales by thrift shops on military installations	Negligible	Negligible	Negligible	Negligible	Negligible
104. Sales of newspapers by religious organizations	$33,500	$34,000	$35,000	$35,500	$36,200
105. Sales to nonprofit literacy organizations	* * *	* * *	$50,000	$50,000	$51,000
106. Sales or purchases by blind persons operating small businesses	$179,000	$183,000	$186,000	$190,000	$193,800

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions ***continued***					
107. Purchases by certain organizations that promote training for the blind	Negligible	Negligible	Negligible	Negligible	Negligible
108. Cable television installation and repair services	$0	$0	$0	$0	$0
109. Receipts from coin-operated washing and drying machines in commercial laundromats	$0	$0	$0	$0	$0
110. Outside gate admissions and parking fees at fairs, festivals, and expositions sponsored by nonprofit organizations	Suspended	Suspended	Suspended	Suspended	$106,000
111. Lease or rental of certain vessels in mineral production	Suspended	Suspended	Suspended	Suspended	$42,500
112. Purchases of supplies, fuels, and repair services for boats used by commercial fishermen	$2,640,000	$2,700,000	$2,741,000	$2,796,000	$2,851,900
113. Certain seafood-processing facilities	$213,000	$217,000	$220,000	$224,500	$229,000
114. Certain equipment when removed from resale inventory	See number 22	See number 22	See number 22	See number 22	See number 22
115. First $50,000 of the sales price of certain rubber-tired farm equipment and attachments	$15,000,000	$15,000,000	$15,000,000	$15,300,000	15,500,000
116. New vehicles furnished by a dealer for driver-education programs	Suspended	Suspended	Suspended	Suspended	$87,300
117. Sales of gasohol	Suspended	Suspended	Suspended	Suspended	Negligible

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions *continued*					
118. Construction materials and operating supplies for certain nonprofit retirement centers	Suspended	Suspended	Suspended	Suspended	$484,350
119. Sales of motor vehicles to be leased or rented by qualified lessors	See number 22	See number 22	See number 22	See number 22	See number 22
120. Sales of certain fuels used for farm purposes	$$10,050,000	$10,250,000	$10,404,000	$10,612,000	$10,824,250
121. Sales or purchases by certain sheltered workshops	$69,000	$70,000	$71,000	$72,000	$73,500
122. Purchases of certain fuels for private residential consumption	Suspended	Suspended	Suspended	Suspended	$969,500
123. Specialty Mardi Gras items purchased by certain organizations	Suspended	Suspended	Suspended	Suspended	$87,300
124. Purchases and sales by Ducks Unlimited and Bass Life	Suspended	Suspended	Suspended	Suspended	$74,150
125. Tickets to dance, drama, or performing arts presentations by certain nonprofit organizations	Suspended	Suspended	Suspended	Suspended	Negligible
126. Purchases by and sales by certain nonprofit organizations dedicated to the conservation of migratory waterfowl	See number 114	See number 114	See number 114	See number 124	See number 124
127. Raw materials used in the printing process	Suspended	Suspended	Suspended	Suspended	$1,681,700
128. Piggy-back trailers or containers and rolling stock	$Suspended	Suspended	Suspended	Suspended	$3,231,350

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions *continued*					
129. Pharmaceutical samples distributed in Louisiana	Suspended	Suspended	Suspended	Suspended	Negligible
130. Catalogs distributed in Louisiana	Suspended	Suspended	Suspended	Suspended	$135,175
131. Certain trucks and trailers used 80% in interstate commerce	$1,250,000	$5,600,000[1]	$5,790,311[1]	$5,904,300[1]	* * *
132. Certain contract carrier buses used 80% in interstate commerce	$250,000	$988,000[1]	$1,021,819[1]	$1,042,325[1]	* * *
133. Railrolling stock manufactured in Louisiana used in interstate commerce	No data	No data	Unable to anticipate	* * *	* * *
134. Utilities used by steelworks and blast furnaces	No data	No data	Unable to anticipate	Unable to anticipate	Unable o anticipate
135. Antique airplanes held by private collectors and not used for commercial purposes	Suspended	Suspended	Suspended	Suspended	Negligible
Alternate-reporting methods					
136. Certain interchangeable components; optional method to determine	$548,000	$560,000	$568,000	$579,500	$591,100
137. Helicopters leased for use in the extraction, production, or exploration for oil, gas, or other minerals	See number 22	See number 22	See number 22	See number 22	See number 22
138. Cash-basis sales tax reporting and remitting for health and fitness club membership contracts	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate

[1]Revised from Office of Motor Vehicle data.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Alternate-reporting methods *continued*					
139. Cash-basis reporting procedure for rental and lease transactions	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
140. Collection from interstate and foreign transportation dealers	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
Statutorily prescribed methods of taxation					
141. Extended time to register mobile homes	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
142. Cost price of refinery gas	$0	$0	$0	$0	$0
143. Sales price of refinery gas and other by products	$0	$0	$0	$0	$0
Credits					
144. Vendor's compensation	$32,184,600	$30,185,545[1]	$29,986,587[1]	$30,602,600	$31,214,650
145. Credit for costs to reprogram cash registers	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
Refunds					
146. Sales tax remitted on bad debts from credit sales	$1,642,386[2]	$1,917,177	$392,469	$1,500,000	$1,500,000
147. State sales tax paid on property destroyed in a natural disaster	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
148. Materials used in the construction, restoration, or renovation of housing in designated areas	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate

[1]Revised amounts obtained from sales tax line item reports.
[2]Revised amounts obtained from refunds issued.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Refunds *continued*					
149. Purchases and leases of durable medical equipment paid by or under provisions of Medicare	No data	No data	Unable to anticipate	Unable to anticipate	Unable to anticipate
150. Refunds of sales tax to motion-picture production companies	No data	$16,639[4]	Unable to anticipate	See number 24	See number 24
151. Louisiana Tax Free Shopping Program	$921,450[1]	$606,905[4]	$669,298[4]	$681,800	$695,500
Total state sales tax revenue loss	$336,059,436	$350,090,503	$691,233,767	$949,299,975	$1,141,988,220
State exemptions with prohibitions on taxation[2]					
152. Sales of gasoline, gasohol, and diesel	$161,700,000[3]	$143,000,000[3]	$162,120,503[3]	$165,158,500[3]	$168,461,675
153. Purchases made with food stamps and WIC vouchers	$33,133,000[1]	$39,579,600[1]	$40,371,200	$41,178,600	$42,002,175
154. Credit for sales and use taxes paid to other states on property imported into Louisiana	$21,315,000	$22,000,000	$22,330,000	$22,776,600	$23,232,100
155. Credit for use tax paid on automobiles imported by certain members of the armed services	See number 144	See number 144	See number 144	See number 154	See number 154
156. Use of vehicles in Louisiana by active military personnel	See number 144	See number 144	See number 144	See number 154	See number 154
Total revenue loss from exemptions with prohibitions on taxation	$216,148,000	$204,579,600	$224,821,703	$229,113,700	$233,695,950
Total sales tax revenue loss	$552,207,436	$554,670,103	$916,055,470	$1,178,413,675	$1,375,684,170

[1]Revised amounts obtained from sales tax line item reports.
[2]Taxation is prohibited by the state constitution, federal laws, or existing reciprocal agreements.
[3]Revised amounts derived from data provided by the U.S. Department of Energy.
[4]Revised amounts obained from refunds issued.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Natural gas exclusions					
1. Injection	$332,000	$124,000	$200,000	$200,000	$200,000
2. Produced outside the state of Louisiana	$20,000	$24,000	$50,000	$35,000	$35,000
3. Flared or vented	$1,116,000	$1,100,000	$630,000	$800,000	$800,000
4. Consumed in field operations	$4,436,000	$8,000,000	$5,550,000	$6,000,000	$6,000,000
5. Consumed in the production of natural resources in the state of Louisiana	$116,000	$100,000	$50,000	$50,000	$50,000
6. Used in the manufacture of carbon black	$108,000	$440,000	$280,000	$300,000	$300,000
Natural gas suspensions					
7. Horizontal wells	$290,000	$625,000	$1,200,000	$1,000,000	$1,000,000
8. Inactive wells	$3,255,000	$7,200,000	$11,300,000	$10,000,000	$10,000,000
9. Deep wells	$4,805,000	$17,600,000	$10,700,000	$11,000,000	$11,000,000
10. New discovery wells	$2,059,000	$4,200,000	$1,190,000	$500,000	$0
Natural gas special rates					
11. Incapable oil-well gas	$555,000	$2,200,000	$750,000	$1,000,000	$1,000,000
12. Incapable gas-well gas	$5,179,000	$14,700,000	$8,100,000	$10,000,000	$10,000,000
13. Contract gas at less than 52¢ per MCF	$0	$0	Repealed	Repealed	Repealed
Oil deduction					
14. Trucking, barging, and pipeline fees	$2,895,000	$2,600,000	$2,300,000	$2,500,000	$2,500,000

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Oil suspensions					
15. Horizontal wells	$2,761,000	$3,900,000	$5,200,000	$5,000,000	$5,000,000
16. Inactive wells	$12,300,000	$9,000,000	$6,800,000	$10,000,000	$10,000,000
17. Deep wells	$9,226,000	$2,100,000	$8,040,000	$8,000,000	$8,000,000
18. New discovery wells	$7,212,000	$1,200,000	$1,900,000	$800,000	$0
19. Tertiary recovery	$122,000	$37,000	$0	$50,000	$50,000
Oil special rates					
20. Incapable oil	$4,913,000	$2,800,000	$4,800,000	$4,500,000	$4,500,000
21. Stripper oil	$14,165,000	$6,900,000	$12,000,000	$12,000,000	$12,000,000
22. Stripper oil value less than $20 per barrel	Negligible	$12,500	$19,000	$15,000	$15,000
23. Salvage oil	$15,000	$17,000	$0	$15,000	$15,000
24. Horizontal mining and drilling projects	$0	$0	$0	$0	$0
Oil and gas incentives					
25. Produced water injection incentive	$0	$0	$104,000	$200,000	$200,000
Mineral exemption					
26. Owned and severed by political subdivisions	$0	$0	$0	$0	$0
Total severance tax revenue loss	$75,880,000	$84,879,500	$81,163,000	$83,965,000	$82,665,000

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions					
1. Direct descendants by blood or affinity	$16,963,350	$14,080,000	$8,500,000	$3,400,000	$680,000
2. Surviving spouse	$4,518,200	$3,750,000	$2,265,000	$906,000	$181,200
3. Collateral relations; $1,000 exemption	$2,643,700	$2,194,000	$1,325,000	$530,000	$106,000
4. Strangers or nonrelated persons: $500 exemption	$423,950	$352,000	$212,500	$85,000	$17,000
5. Bequests to charitable, religious, or educational institutions in Louisiana	$4,491,150	$3,728,000	$2,250,000	$900,000	$180,000
6. Bequests to the state, incorporated municipalities, or political subdivisions for exclusive public use	$1,197,200	$994,000	$600,000	$240,000	$48,000
7. Bequests to out-of-state charitable, religious, or educational institutions	$292,750	$243,000	$147,000	$58,800	$11,760
Exclusions					
8. Proceeds of life insurance payable to named beneficiaries	$33,057,500	$27,438,000	$16,470,000	$6,588,000	$1,317,600
9. Qualified retirement or pension plans	NRR	NRR	NRR	NRR	NRR
Total inheritance tax revenue loss	$63,587,800	$52,779,000	$31,769,500	$12,707,800	$2,541,560

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
1. Tax equalization	$13,527,064	$655,660	$3,541,168	No data	No data
2. Manufacturing establishments	$0	$0	$0	No data	No data
3. Enterprise zones	$33,024,812	$27,345,780	$46,894,533	No data	No data
4. Research and development parks	$0	$0	$0	No data	No data
5. Quality jobs program incentives	$813,614*	$3,498,938*	$5,394,861	No data	No data
6. Motion picture incentive	$0	$0	$16,640	No data	No data
Total tax exemption contracts revenue loss	$47,365,490	$31,500,378	$55,830,562	No data	No data

*These amounts have been changed from the amounts reported in previous years' reports to reflect corrected revenue loss data.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions and exclusions					
1. Agricultural cooperative associations and farmer credit and farmers' credit cooperative associations	NRR	NRR	NRR	NRR	NRR
2. Cooperative marketing associations	NRR	NRR	NRR	NRR	NRR
3. Credit unions	NRR	NRR	NRR	NRR	NRR
4. Limited liability companies	NRR	NRR	NRR	NRR	NRR
5. Exemption for certain foreign corporations	NRR	NRR	NRR	NRR	NRR
6. Electric cooperatives	NRR	NRR	NRR	NRR	NRR
7. Exemption for events, activities, or enterprises conducted in domed-stadium facilities	NRR	NRR	NRR	NRR	NRR
8. Exemption for events, activities, or enterprises conducted in publicly-owned facilities	NRR	NRR	NRR	NRR	NRR
9. Exemptions for certain corporations	NRR	NRR	NRR	NRR	NRR
10. Exemption for Certified Louisiana Capital Company	NRR	NRR	NRR	NRR	NRR
Deductions					
11. Bank-holding corporations	NRR	NRR	NRR	NRR	NRR
12. Public-utility holding corporations	$7,250,000	$7,467,000	$7,600,000	$7,830,000	$8,060,000
13. Public water utility companies	$95,000	$98,000	$100,000	$103,000	$106,000
14. Members of controlled groups that include a telephone corporation	$1,150,000	$1,185,000	$1,200,000	$1,235,000	$1,272,000

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
15. Insurance Holding Corporations	$0	$0	$123,000	$123,000	Not in Effect
Deductions *continued*					
16. Vehicle, boat and equipment dealers	$0	$0	$0	Minimal	Minimal
17. Regulated utility companies	$0	$0	$0	$0	$0
Tax credit					
18. Inventory tax/Ad valorem tax	See note[1]	See note[1]	See note[1]	See note[1]	See note[1]
Other credits - revenue loss for credits in shaded areas are included in total for all "other credits"					
19. Employment of the previously unemployed					
20. Donations to assist qualified playgrounds					
21. Louisiana basic-skills training					
22. Qualified donations made to public elementary or secondary schools					
23. La. Capital Investment Tax Credit					
24. Low-income housing					
25. Employment in a qualified motion picture production		* * *	See note[2]	See note[2]	See note[2]
26. Purchase of qualified recycling equipment					
27. Donations of material, equipment, advisors, or instructors made to certain training providers			* * *	* * *	

[1]The estimated revenue loss for the inventory tax credit is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.
[2]The estimated revenue loss is shown on the Tax Exemption Contract Tax Table, Motion Picture Incentive.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
28. Atchafalaya Trace Heritage Area Development Zone Tax Exemption					
Other credits *continued*					
29. Credit for debt issuance costs					
30. Credit for Purchases from Prison Industry Enhancement Contractors				See note[2]	See note[2]
31. Credit for Rehabilitation of Historic Structures					
32. New Markets Credit					
33. Research and Development Credit					
34. Technology Commercialization Credit					
Other credits - total	$0[1]	$0[1]	$0[1]	$0[1]	$0[1]
Total corporation franchise tax revenue loss	$8,495,000	$8,750,000	$9,023,000	$9,291,000	$9,438,000

[1] The credits classified as "other credits" for franchise tax can be applied against either the corporation income tax or corporation franchise tax. For FYE 6-02 through FYE 6-03, all "other credits" were taken against corporation income tax. Therefore, the revenue loss for corporation franchise tax was zero. It was assumed for FYE 6-04 and FYE 6-05 that "other credits" would be applied against corporation income taxes.

[2] The estimated revenue loss for the Prison Industry Enhancement Contractors credit is shown on the corporation income tax table and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Gasoline tax exemptions					
1. Casinghead gasoline	$0	$0	$0	$0	$0
2. Aviation gasoline	$1,300,000[1]	$1,300,000[1]	$1,300,000[1]	$1,300,000	$1,300,000
Gasoline tax refunds					
3. School-bus drivers	$330,000	$378,800	$135,000	$140,000	$140,000
4. Farmers, fishermen, and aircraft	$102,000	$111,400	$95,400	$105,000	$105,000
Gasoline tax discounts					
5. Discount of 3 percent for a gasoline jobber	$700,000	$701,000[1]	$700,000[1]	$700,000	$700,000
6. Discount of 3 percent for a gasoline dealer	$688,000	$650,000[1]	$700,000[1]	$700,000	$700,000
Special fuels tax refunds					
7. School-bus drivers	$80,000	$80,000	$356,800	$360,000	$360,000
8. Special fuels used in licensed vehicles by commercial fishermen	Negligible	Negligible	Negligible	Negligible	Negligible
Special fuels tax discount					
9. Discount of 3 percent	$3,714,000	$3,748,000	$3,895,000	$3,900,000	$3,900,000
Inspection fee on petroleum products					
10. Undyed special fuels used for nontaxable purposes.	***	***	***	Unable to anticipate	Unable to anticipate
11. Undyed special fuels used by commercial fishermen.	***	***	***	Unable to anticipate	Unable to anticipate
Total state revenue loss	$6,914,000	$6,969,200	$7,182,200	$7,205,000	$7,205,000

[1]Unable to verify with current program for statistics.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Federally imposed exemptions					
12. Gasoline sales to federal government and its agencies	$3,539,000[1]	$2,851,000	$2,300,000	$3,000,000	$3,000,000
13. Interstate gasoline shipments/ exports	$3,700,000,000[1]	$1,850,000,000	$1,887,000,000	$1,925,000,000	$1,925,000,000
Total revenue loss for federally imposed exemptions	$3,703,539,000	$1,852,851,000	$1,889,300,000	$1,928,000,000	$1,928,000,000
Total petroleum products revenue loss	$3,710,453,000	$1,859,740,200	$1,896,482,200	$1,935,205,000	$1,935,205,000

[1]Unable to verify with current program for statistics.

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Discounts					
1. Discount of 6 percent for tobacco stamps	$4,850,000	$6,043,000	$6,842,000	$6,000,000	$6,000,000
2. Discount of 6 percent for timely filing reports	$409,000	$538,500	$480,000	$500,000	$500,000
Exemption					
3. Sales to state institutions	Negligible	Negligible	Negligible	Negligible	Negligible
Refund					
4. Return of taxable product to the manufacturer	$588,000	$877,000	$1,119,000	$1,200,000	$1,200,000
Total state revenue loss	$5,847,000	$7,458,500	$7,441,000	$7,700,000	$7,700,000
Federally imposed exemptions					
5. Sales to federal government and its agencies	Negligible	Negligible	Negligible	Negligible	Negligible
6. Interstate shipments of tobacco products	$17,400,000	$14,400,000	$16,000,000	$16,000,000	$16,000,000
Total revenue loss from federally imposed exemptions	$17,400,000	$14,400,000	$16,000,000	$16,000,000	$16,000,000
Total tobacco tax revenue loss	$23,247,000	$21,858,500	$23,441,000	$23,700,000	$23,700,000

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Exemptions					
1. Specific lifetime-donor exemption; $30,000	$1,160,800	$1,197,000	$1,240,000	$1,277,000	$1,315,500
2. Gifts made to charitable, religious, or educational institutions located in Louisiana	$150,400	$155,000	$160,000	$165,000	$170,000
3. Gifts made to the United States, the state of Louisiana, or any other political subdivision or civic organization	$14,800	$15,000	$15,500	$16,000	$16,500
4. Gifts to spouse	$137,000	$141,000	$145,000	$149,000	$154,000
Exclusion					
5. Annual exclusion per donee	$1,836,000	$1,891,000	$1,950,000	$1,950,000	$2,145,000
Total gift tax revenue loss	$3,299,000	$3,399,000	$3,510,500	$3,557,000	$3,801,000

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Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Beer tax discount					
1. Discount of 2 percent	$439,000	$441,000	$450,000	$455,000	$455,000
Beer, liquor and wine tax refund/credit					
2. Products returned to manufacturer or destroyed by a dealer	Negligible	Negligible	Negligible	Negligible	Negligible
Liquor and wine tax exemptions					
3. Antiseptic, scientific, religious, and chemical uses	NRR	NRR	NRR	NRR	NRR
4. Free samples of native wine	NRR	NRR	NRR	NRR	NRR
Liquor and wine tax discount					
5. Discount of 3.33 percent	$537,000	$532,000	$559,100	$560,000	$560,000
Total state revenue loss	$976,000	$973,000	$1,009,100	$1,015,000	$1,015,000
Federally imposed tax exemptions					
Beer tax exemptions					
6. Interstate shipments	$45,000	$45,000	$50,000	$50,000	$50,000
7. Sales to federal government and its agencies	$130,000	$129,000	$130,000	$130,000	$130,000
8. Sales to ships engaged in interstate or foreign commerce	$25,500	$25,350	$30,000	$30,000	$30,000
Liquor and wine tax exemptions					
9. Interstate shipments of alcoholic beverages	$5,410,000	$5,378,000	$5,400,000	$5,400,000	$5,400,000
10. Foreign consul and foreign commerce	Negligible	Negligible	Negligible	Negligible	Negligible

[1]Unable to verify with current program for statistics.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Liquor and wine tax exemptions *continued*					
11. Sales to the federal government and its agencies	$122,000	$121,280	$125,000	$125,000	$125,000
Total revenue loss from federally imposed exemptions	$5,732,500	$5,698,630	$5,735,000	$5,735,000	$5,735,000
Total liquors-alcoholic beverage tax revenue loss	$6,708,500	$6,671,630	$6,744,100	$6,750,000	$6,750,000

*** = Not in effect   NRR = No Reporting Requirement   Negligible = less than $10,000

Exemptions	FYE 6-01	FYE 6-02	FYE 6-03	FYE 6-04 (Projected)	FYE 6-05 (Projected)
Hazardous waste disposal tax					
1. Deduction for compliance	$20,000	$20,000	$20,000	$20,000	$20,000
Public utilities and carriers taxes					
Inspection and supervision fee					
1. Ten-mile zone exclusion	NRR	NRR	NRR	NRR	NRR
2. Power cost exclusion	$150,000[1]	$150,000[1]	$150,000[1]	$150,000[1]	$150,000
3. Commercial mobile service exclusion	$75,000[1]	$75,000[1]	$75,000[1]	$75,000[1]	$75,000
Transportation and communications tax					
1. Seven-mile zone exclusion	$450,000[1]	$450,000[1]	$450,000[1]	$450,000[1]	$450,000
Total public utilities and carriers taxes revenue loss	$675,000	$695,000	$695,000	$695,000	$695,000
Telecommunication tax					
1. Deduction of 2 percent	$28,600	$29,900	$30,000	$30,000	$30,000
Total miscellaneous tax revenue loss	$720,200	$724,900	$725,000	$725,000	$725,000

[1]Unable to verify with current program for statistics.

*** = Not in effect NRR = No Reporting Requirement Negligible = less than $10,000

Part 4.
Listing of Exemptions

Corporation Franchise Tax Exemptions

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Corporation Franchise Tax

Introduction

The Louisiana corporation franchise tax was enacted in 1932. The tax was imposed on every domestic corporation and every foreign corporation authorized or doing business in the state, or using any part of its capital, plant, or any other property in the state. As originally enacted, the tax levied was due and payable for the privilege of carrying on or doing business, exercising of its charter or the continuance of its charter within the state.

An initial tax return covering the period beginning with the date the corporation first becomes liable for filing a return and ending with the close of the accounting period, must be filed on or before the fifteenth day of the third month after the corporation first becomes liable. Thereafter, an annual return is due by the fifteenth day of the fourth month after the month the tax is due. The tax is due on the first day of the calendar year or the taxpayer's fiscal year.

The law has been amended many times since 1932. However, an amendment in 1970 to replace the ***privilege of doing business*** language in the original act with the statement that the ***tax levied is due and payable on any one or all of the incidents referred to in the law*** was one of the more important amendments.

Legal Citations

R.S. 47:601 through 47:618

Tax Base

Capital stock, surplus, undivided profits, and borrowed capital

Tax Rate

The tax is currently assessed on the taxable base at the rate of $1.50 per $1,000 on the first $300,000 and $3.00 per $1,000 over $300,000. The tax is based on the larger of the assessed value of all real and personal property in the state ***or*** the amount of issued and outstanding capital stock, surplus, undivided profits and borrowed capital attributable to Louisiana.

Types of Tax Exemptions

Corporation franchise tax exemptions are in the form of exemptions/exclusions, deductions, and credits. Exemptions/exclusions generally refer to organizations or corporations that are statutorily exempt from the imposition of the corporation franchise tax due to the nature of their operation. Deductions are generally defined as a reduction to the taxable base. Credits are generally defined as a reduction to the amount of tax due. All tax exemptions related to the corporation franchise tax are listed in this report.

Significant Changes Fiscal Year 2002-2003

There were no significant changes to the corporation franchise tax law during the past year.

Exemptions/exclusions

1. Agricultural cooperative associations and farmer credit and farmers' credit cooperative associations

Qualifying cooperative associations are exempt from corporation franchise tax and all other license taxes, except for the annual $10 license fee paid to the Secretary of State and ad valorem property taxes. The purpose of this exemption is to minimize the tax burden on these nonprofit associations.

Legal Citation: R.S. 3:84
Origin: Acts 1938, No. 40
Effective Date: July 1, 1938

Beneficiaries: The agricultural industry.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

2. Cooperative marketing associations

These associations are exempt from all franchise or other license taxes, except for taxes on real estate, furniture, and fixtures. These associations, however, must pay an annual $10 license fee. The purpose of this exemption is to minimize the tax burden on these nonprofit organizations.

Legal Citation: R.S. 3:147
Origin: Acts 1922, No. 57
Effective Date: July 1, 1922

Beneficiaries: Cooperative marketing associations and individuals and companies marketing their goods and services through these organizations.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

3. Credit unions

Credit unions, together with all accumulations therein, are exempt from all taxes except for taxes on immovable property owned. The shares of a credit union are not subject to a stock transfer tax when issued by the corporation or when transferred from one member to another. No fees, taxes, or any of the stipulations as to capital stock set forth in general statutes for corporations apply to credit unions. The purpose of this exemption is to minimize the tax burden on these nonprofit organizations.

Legal Citation: R.S. 6:662
Origin: Acts 1924, No. 40
Effective Date: July 1, 1924

Beneficiaries: Individuals who are a member of a state or federal chartered credit union.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

4. Limited liability companies

For corporation franchise tax purposes, limited liability companies are taxed the same as a partnership. Partnerships are not subject to corporation franchise tax, therefore, limited liability companies are not subject to corporation franchise tax.

Legal Citations: R.S. 9:3441-3447
R.S. 12:1301-1369
Origin: Acts 1992, No. 780
Effective Date: July 7, 1992

Beneficiaries: Shareholders of such organizations.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

5. Exemption for certain foreign corporations

Certain foreign corporations operating as mutual savings banks, mutual savings fund societies, real estate investment trusts, state banks or trust companies, insurance companies, corporations associated with real estate investment trust as its advisor, group insurance and annuity corporations, and nonprofit or nontrading corporations are exempt from the corporation franchise tax. The purpose of this exemption is to minimize the tax burden on these corporations.

Legal Citations:	R.S. 12:302(K)
	R.S. 12:302(L)
Origin:	Acts 1968, No. 105
Effective Date:	1968

Beneficiaries: Certain foreign corporations referred to in the law.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

6. Electric cooperatives

Electric cooperatives are exempt from all income and excise taxes, except for a fee of $10 per each one hundred persons or fraction thereof to whom electricity is supplied within the state. The purpose of this exemption is to minimize the tax burden on these nonprofit electric cooperatives.

Legal Citation:	R.S. 12:425
Origin:	Acts 1940, No. 266
Effective Date:	July 18, 1940

Beneficiaries: Individuals and companies purchasing electricity from electric cooperatives.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

7. Exemption for events, activities, or enterprises conducted in domed-stadium facilities

Any events, activities, or enterprises conducted in certain domed-stadium facilities are exempt from all state and local taxes. The purpose of this exemption is to promote use of the dome-stadium facility.

Legal Citation: R.S. 39:467
Origin: Acts 1985, No. 2
Effective Date: May 23, 1985

Beneficiaries: The activities conducted in the dome-stadium economically benefit the state and its residents.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

8. Exemption for events, activities, or enterprises, conducted in publicly-owned facilities

Any events, activities, or enterprises conducted in certain publicly-owned facilities are exempt from all state taxes provided that the local taxing authority first provides exemption from local taxes. The purpose of this exemption is to promote the use of qualifying facilities.

Legal Citation: R.S. 39:468
Origin: Acts 1985, No. 2
Effective Date: May 23, 1985

Beneficiaries: The activities conducted in the qualifying facilities economically benefit the state and its residents.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

9. Exemptions for certain corporations

Various franchise tax exemptions have been granted to certain, usually nonprofit, organizations and corporations. The purpose of these exemptions is to minimize the tax burden for qualifying nonprofit organizations. Exempted corporations are listed below:

a. Labor corporations and corporations organized by labor unions or organizations for the purpose of holding title to property.
b. Family agricultural and family horticultural corporations organized under the laws of and domiciled in the state of Louisiana.
c. Certain agricultural and horticultural corporations, other than family corporations, organized under the laws of and domiciled in the state of Louisiana.
d. Mutual savings banks, national banking corporations, and banking corporations organized under the laws of the state of Louisiana, who pay a tax for their shareholders or whose shareholders pay a tax on their shares of stock under other laws of this state, and building and loan associations.
e. Fraternal beneficiary societies, orders, or associations operating under the lodge system, or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to members or their dependents.
f. Cemetery companies owned and operated exclusively for the benefit of their members.
g. Any corporation, community chest, or fund, organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.
h. Business leagues, chambers of commerce, real estate boards, or boards of trade not organized for profit and of which no part of the net earnings benefits any private shareholder or individual.
i. Nonprofit civic leagues or organizations operated exclusively for charitable, educational, or recreational purposes.
j. Clubs organized and operated exclusively for pleasure, recreation, or other nonprofit purposes.
k. Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations, but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.
l. Insurance companies paying a premium tax under Title 22 of the Louisiana Revised Statutes of 1950.
m. Certain farmers, fruit growers, or like associations organized and operated on a cooperative basis for the purpose of marketing products or purchasing supplies and equipment.
n. Corporations organized by exempt farmers' cooperatives to finance crop operations of members.
o. Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to organizations organized and operated exclusively for religious, charitable, scientific, literary, and educational purposes, of which no part of the net earnings benefits any private stockholder.
p. Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the association members or their dependents.
q. Teachers' retirement fund associations of a purely local character, if no part of their net earnings (other than through payment of retirement benefits) benefits any private shareholder or individual, and if the income consists solely of amounts received from public taxation, amounts received from assessments upon the teaching salaries of members, and income from investments.

9. Exemptions for certain corporations *(continued)*

Legal Citations: R.S. 47:608(1)(a)-(c)
R.S. 47:608(2)-(15)

Origin: Various legislative acts since 1958

Effective Date: Various dates from 1958

Beneficiaries: Members and shareholders of these exempt organizations.

Administration: The purposes of these exemptions are achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

10. Exemption for Certified Louisiana Capital Company

Any corporation that is a certified Louisiana capital company shall be exempt from corporation franchise tax for five consecutive taxable years. The exemption begins with the second taxable year after the capital company was certified by the commissioner of the Department of Economic Development.

Legal Citation: R.S. 51:1932

Origin: Acts 1986, No. 915

Effective Date: Taxable periods beginning after December 31, 1985

Beneficiaries: Individuals who need venture capital to develop and operate a qualified Louisiana business.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

Deductions

11. Bank-holding corporations

Bank-holding corporations are allowed a deduction from their taxable base for the portion of their assets used to finance the operation of the subsidiary bank. The purpose of this deduction is to prevent the double taxation of these assets; first from the holding company and second from the subsidiary bank.

Legal Citation: R.S. 47:602(B)
Origin: Acts 1970, No. 385
Effective Date: Taxable periods beginning after December 31, 1970

Beneficiaries: Bank holding corporations and shareholders.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

12. Public-utility holding corporations

A deduction is allowed for public-utility holding corporations. A corporation may deduct from its taxable base that portion of its assets used to finance the operation of its subsidiaries. For taxable periods beginning on or after January 1, 1995, Act 40 of the 1994 Regular Legislative Session amended R.S. 47:602(C) to provide that a regulated public-utility holding company shall compute the deduction from its taxable base by multiplying the sum of its investment in and advances to its subsidiary corporations by its Louisiana corporation franchise tax apportionment percent. Additionally, this legislation provided for a minimum $100,000 annual corporation franchise tax payment by public-utility holding companies. The purpose of this deduction is to encourage corporations to relocate their principal office in Louisiana.

Legal Citation: R.S. 47:602(C)
Origin: Acts 1973, No. 119
Effective Date: June 1973

Beneficiaries: Public-utility holding companies, who own subsidiary corporations and who locate their home office in Louisiana, and their shareholders.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$7,830,000	$8,060,000

13. Public water utility companies

Corporations, with one or more subsidiary public water utility corporations, are allowed to deduct the amounts of its investment in and advances to these subsidiary corporations from taxable capital. The purpose of this deduction is to tax these assets at the subsidiary corporation level only.

Legal Citation: R.S. 47:602(D)
Origin: Acts 1990, No. 385
Effective Date: Taxable periods beginning on or after January 1, 1991

Beneficiaries: Public utility water corporations with investments in and advances to subsidiary corporations and shareholders of public utility water corporations.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$103,000	$106,000

14. Members of controlled groups that include a telephone corporation

Any corporation in a controlled group, having as a member of such group a telephone corporation regulated by the Louisiana Public Service Commission, shall be entitled to deduct from its capital stock, surplus, undivided profits, and borrowed capital, its investment in and advances to any member of the controlled group. The purpose of this deduction is to eliminate double taxation of investments in and advances to an affiliated corporation in a controlled group having a telephone company as a member of the group.

Legal Citation: R.S. 47:602(E)
Origin: Acts 1994, No. 134
Effective Date: Taxable periods beginning on or after January 1, 1994

Beneficiaries: Corporations in a controlled group having as a member of such group a telephone corporation regulated by the Louisiana Public Service Commission.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,235,000	$1,272,000

15. Insurance Holding Corporations

Any corporation owning at least 80 percent of the capital stock of a subsidiary property and casualty insurance corporation, such subsidiary having capital and surplus of less than twenty million dollars, is entitled to a deduction from taxable capital in computing franchise tax. 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.

Legal Citation: R.S. 47:602(F)
Origin: Acts 2002, No. 59
Effective Date: Taxable periods beginning after June 30, 2002
Sunset Date: December 31, 2004

Beneficiaries: Corporations owning at least 80 percent of the capital stock of a subsidiary property and casualty insurance corporation

Administration: The purpose of this deduction is achieved in a fiscally effective manner

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$123,000	Not in Effect

16. Vehicle, Boat and Equipment Dealers

Vehicle, boat and equipment dealers are allowed to deduct from borrowed capital certain indebtedness 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.

Legal Citation: R.S. 47:603
Origin: Acts 2002, No. 38
Effective Date: June 25, 2002

Beneficiaries: Vehicle, boat and equipment dealers

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Minimal	Minimal

17. Regulated utility companies

Certain regulated public utility companies are allowed to deduct from surplus those accounts representing assets for which no money, service, or thing of value was paid by the utility companies except for the regulated service or product. The purpose of this deduction is to effect equal tax treatment for regulated and nonregulated utility companies.

Legal Citations:	R.S. 47:605(C) R.S. 47:606(E)
Origin:	Acts 1992, No. 156
Effective Date:	Taxable periods beginning on or after January 1, 1993

Beneficiaries: Public utility companies that are required by their regulatory authority to increase assets and surplus by amounts meeting the statutes' criteria.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; no additional revenue loss is anticipated.

Tax credit

18. Inventory tax/Ad Valorem tax

A refundable tax credit is allowed for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors, and retailers. The credit was phased in beginning with a credit allowable for 20 percent of the inventory taxes paid during FYE 6-93. The credit percentages allowed for subsequent years are as follows: 40 percent for FYE 6-94; 60 percent for FYE 6-95; 80 percent for FYE 6-96; and 100 percent for ad valorem taxes paid after July 1, 1996.

Acts 1994, 3rd Ex. Sess., No. 59 added R.S. 47:6006.1 to provide for a refundable tax credit against income and corporation franchise taxes for ad valorem taxes paid on vessels in Outer Continental Shelf Lands Act Waters. Also Acts 1994, No. 28 amended R.S. 47:6006 to provide that this credit is not allowed for ad valorem taxes that have been collected from the persons to whom the inventory has been sold. The purpose of this credit is to provide a tax offset for inventory taxes paid to local authorities.

Legal Citation:	R.S. 47:6006 R.S. 47:6006.1
Origin:	Acts 1991, No. 153
Effective date:	July 1, 1992

Beneficiaries: All corporations paying ad valorem taxes on inventory benefit from this credit, which will help to promote economic development.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
See Note[1]	See Note[1]

[1] The estimated fiscal effect of the inventory tax credit is shown in the listing of exemptions for corporation income tax and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

Other credits

19. Employment of the previously unemployed

A tax credit is allowed for employment of each previously unemployed person in a qualified newly created full-time job. The credit, $750 for each qualified new job, is allowed during the taxable period that the employee has completed one year of full-time service with the employer. The credit is in lieu of other job tax credits provided for in the law. The purpose of this credit is to encourage employment of the previously unemployed.

Legal Citation:	R.S. 47:6004
Origin:	Acts 1989, No. 636
Effective Date:	Taxable periods beginning on or after July 1, 1990

Beneficiaries: Corporations who hire the previously unemployed benefit from this credit. The state also benefits because these individuals are now employed and productive.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to separately estimate the fiscal effect for credits 19-34. The Department's tax data combines these credits on the tax return. The combined revenue loss for these credits is as follows:

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$0[2]	$0[2]

[2] The credits classified as "other credits" for franchise tax can be applied against either the corporation income tax or corporation franchise tax. In previous fiscal years, all "other credits" were taken against corporation income tax. Therefore, the revenue loss for franchise tax was zero. It was assumed for fiscal years 2003-04 and 2004-05 that "other credits" would be used against corporation income taxes.

20. Donations to assist qualified playgrounds

A tax credit is allowed for donations to assist qualified playgrounds in certain economically depressed areas. The donation may be in the form of cash, equipment, goods, or services and is limited to $1,000 or 1/2 the value of the donation, whichever is less. The purpose of this credit is to encourage donations to qualifying playgrounds.

Legal Citation:	R.S. 47:6008
Origin:	Acts 1992, No. 898
Effective Date:	Taxable periods beginning after December 31, 1992

Beneficiaries: Economically depressed areas benefit from this credit, which should help to improve the quality of life of the residents.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

21. Louisiana basic-skills training

Corporations are allowed a credit of $250 per qualified employee who participates in a basic-skills training program at an accredited school. The credit cannot exceed $30,000 for any single business in a particular year. Basic-skills training means any employer-paid training for qualified employees that enhances the employees' reading, writing, or mathematical skills to at least a twelfth-grade level. The purpose of this credit is to encourage corporations to provide basic-skills training, which will result in a more educated workforce.

Legal Citation: R.S. 47:6009
Origin: Acts 1992, No. 1098
Effective Date: July 1, 1993

Beneficiaries: Individuals benefit from this credit by enabling them to bring their reading, writing, and mathematical skills to at least a twelfth-grade level. A better educated employee will be an asset to employers and the state.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

22. Donations to public elementary or secondary schools

A credit is allowed for qualified donations made to public elementary or secondary schools. The credit allowed is for 40 percent of the appraised value of the donation and not to exceed the taxpayer's total tax liability for the year. "Qualified donation" means a donation of immovable property purchased or otherwise acquired by a corporation and donated to a public school immediately adjacent or contiguous to the property.

Legal Citation: R.S. 47:6013
Origin: Acts 1998, No. 51
Effective date: July 1, 1998

Beneficiaries: Corporations that make such donation and public schools in the state benefit.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

23. Louisiana capital investment tax credit

Corporations are allowed a tax credit amount equal to five percent of the capital costs of a qualifying project. The credit is against the corporation franchise tax that is generated by or arising out of the qualifying project in each of the 20 years commencing with the year during which the qualifying project is placed in service. Certain small projects must employ at least 15 new employees and certain large projects must employ at least 20 new employees at an average compensation between $8 and $10 per hour in order to take the credit. The purpose of this credit is to encourage creation of new jobs through industry expansion.

Legal Citation: R.S. 51:2771
Origin: Acts 1996, No. 42 First Extraordinary Session
Effective Date: July 1, 1996
Sunset Date: June 30, 2000
However, a credit received prior to that date shall remain effective for the remainder of the twenty-year period.

Beneficiaries: Corporations that reduce their corporation franchise tax with this credit and individuals who are employed as a result of project expansions.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

24. Low-income housing

A tax credit is allowed for providers of certain low-income housing. The credit is computed in accordance with the provisions of Section 42 of the 1986 Internal Revenue Code as modified by Acts 1990, No. 972. The purpose of this credit is to encourage development of low-income housing.

Legal Citation: R.S. 47:12
Origin: Acts 1990, No. 1033
Effective Date: July 1, 1990
Sunset Date: December 31, 1993, However unused credits can be carried forward until used.

Beneficiaries: Entities and individuals who provide low-income housing and recipients of low-income housing.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

25. Employment in a qualified motion picture production

A credit is allowed for qualified motion picture production companies for employment of Louisiana residents in the production of a qualified motion picture. The credit allowed is 10 percent of the total payroll for residents employed in the production if the total qualified payroll is $300,000 or more during the taxable year or 20 percent if the total qualified payroll is $1 million or more during the taxable year.

Legal Citation:	R.S. 47:1125.1
Origin:	Acts 2002, First Extraordinary Session, No. 6
Effective date:	July 1, 2002
Sunset date:	June 30, 2006

Beneficiaries: Qualified production companies and Louisiana residents employed by such companies benefit from this credit.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See #6, Motion Picture Incentive, Tax Exemption Contract Section.

26. Purchase of qualified recycling equipment

A tax credit is allowed for the purchase of qualified recycling equipment. Purchases must be made between September 1, 1991 and December 31, 2000. The amount of the tax credit is computed at 20 percent of the cost of the equipment less other tax credits received for the purchase of the equipment. The credit, which can be claimed in any year, is limited to the lower of 20 percent of the total credit or 50 percent of the income and franchise tax liability. The purpose of this credit is to encourage recycling equipment purchases, which should result in a cleaner environment.

Legal Citation:	R.S. 47:6005
Origin:	Acts 1991, Nos. 359 and 1052
Effective Date:	Taxable periods beginning on or after July 1, 1991
Sunset Date:	December 31, 2000. The credit may be carried forward until credit is exhausted or the equipment is sold.

Beneficiaries: Corporations who invest in qualifying equipment benefit from this credit. The general public also benefits from an improved environment.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

27. Donations of material, equipment, or instructors made to certain training providers

A credit is allowed against corporation franchise tax for donations of materials, equipment, or instructors made to training providers vocational/technical schools, apprenticeship programs registered with the Louisiana Department of Labor, or community colleges within the state. The credit is for one-half the value of the materials, equipment, or services donated. The tax credit when combined with other tax credits cannot exceed 20 percent of the employer's tax liability for any taxable year.

Legal Citation:	R.S. 47:6012
Origin:	Acts 1998, No. 30. Amended by Acts 2002, No. 11.
Effective date:	June 24, 1998
Sunset date:	December 31, 2000

Reestablished: August 15, 2002 for taxable periods beginning after December 31, 2002.

Beneficiaries: Individuals who take the tax credit and the citizens of the state that benefit from better equipped training facilities.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

28. Atchafalaya Trace Heritage Area Development Zone Tax Exemption

The Board of Commerce and Industry, after receiving approval from the review board consisting of the secretaries of the Department of Revenue and Culture, Recreation and Tourism, chairmen of the Atchafalaya Trace Heritage Area Commission, House Committee on Ways and Means, and Senate Revenue and Fiscal Affairs Committee and the executive director of the Atchafalaya Trace Commission, with the approval of the governor, may enter into contracts with heritage-based cottage industry concerns located in the development zone to grant tax credits to promote economic development and the creation of new jobs.

The credits that may be granted are:
- a $750 credit for the business, and
- a $750 credit for each new development zone resident employee.
  The tax credit contract is for five years. The development zone covers the 13 parishes of St. Mary, Iberia, St. Martin, St. Landry, Avoyelles, Pointe Coupee, Iberville, Assumption, Terrebonne, Lafayette, West Baton Rouge, Concordia, and East Baton Rouge.

Legal Citation:	R.S. 25:1226.4
Origin:	Acts 2002, 1st Ex. Session, No. 112
Effective Date:	January 1, 2003
Sunset Date:	No new applications to receive tax exemptions or credits will be accepted on or after January 1, 2007

Beneficiaries: Heritage-based cottage industry located in the development zone

Administration: The purpose of this credit is achieved in a fiscally effective manner

Estimated Fiscal Effect: See number 19.

29. Credit for Debt Issuance Costs

An economic development corporation is allowed a credit equal to the filing fee paid to the Louisiana Bond Commission for the preparation and issuance of bonds.
The credit shall be taken as a credit against the applicable tax or taxes in the taxable period in which the expenses were incurred, not to exceed the total tax liability for that taxable year.

Legal Citation: R.S. 47:6017
Origin: Acts 2002, No. 78
Effective Date: June 25, 2002

Beneficiaries: Economic development corporations

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

30. Credit for Purchases from Prison Industry Enhancement Contractors

A tax credit is allowed for the state sales and use taxes paid on purchases 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.

Legal Citation: R.S. 47:6018
Origin: Acts 2002, No. 32
Effective Date: The credit is effective for Income and Franchise Tax becoming due after December 31, 2002

Beneficiaries: Private Sector Prison Industry Enhancement contractor.

Administration: The purpose of this credit is achieved in a fiscally effective manner

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
See Note[1]	See Note[1]

[1] The estimated fiscal effect of the credit for purchases from Prison Industry Enhancement Contractors is shown in the listing of exemptions for corporation income tax and includes the total revenue loss for individual income and franchise taxes.

31. Credit for Rehabilitation of Historic Structures

A tax credit is allowed for the eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development district. The credit is 25 percent of the cost and expenses up to $250,000 per structure.

This credit is effective for the period July 1, 2002, through December 31, 2004.

Legal Citation:	R.S. 47:6019
Origin:	Acts 2002, No. 60
Effective Date:	Effective for the period July 1, 2002 through December 31, 2004
Sunset Date:	December 31, 2004 However, there is a five-year carryforward of unused credits.

Beneficiaries: Individuals or businesses rehabilitating a qualified historic structure

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

32. New Markets Credit

A tax credit is allowed for investments in qualified low-income community development entities (CDEs). The total tax credits that may be allowed for all taxpayers during any taxable year cannot exceed $5 million. Before claiming the tax credit, investors must make application to the Department and the credits will be allocated on a first-come, first-served basis.

Investors are eligible for the tax credit if the Community Development Entity (CDE) has made qualified low-income community investments and no more than 25 percent of their investments in low-income communities are in the form of loans. Also, qualified low-income community investments cannot consist of investments secured by any state or federal governmental entity.

This credit is effective for tax years beginning on or after September 1, 2002 and is null and void on August 31, 2006. Unused credits can be carried over to succeeding years until used.

Legal Citation:	R.S. 47:6016
Origin:	Acts 2002, No. 66
Effective Date:	For tax years beginning on or after September 1, 2002
Sunset Date:	August 31, 2006

Beneficiaries: Private sector capital investors investing in Certain low-income community investments.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

33. Research and Development Credit

The Department of Economic Development (DED) may approve a credit to qualifying taxpayers in an amount equal to eight percent of the state's apportioned share of the taxpayer's expenditures for increasing research activities, or 25 percent of the state's apportioned share of eligible expenditures if the taxpayer claims the alternative incremental tax credit pursuant to 26 U.S.C.A. §41. DED may also approve an additional one-time credit to taxpayers who receive Small Business Innovation Research Grants for eight percent of the award.

The credit is phased-in as follows:

- 25 percent of the credit is allowed for the period January 1, 2003 through December 31, 2003,
- 50 percent of the credit is allowed for the period January 1, 2004 through December 31, 2004,
- 75 percent of the credit is allowed for the period January 1, 2005 through December 31, 2005,
- 100 percent of the credit is allowed for the period beginning after December 31, 2005.
  This credit is effective for income tax years beginning after December 31, 2002 and franchise tax years beginning after December 31, 2003

Legal Citation: R.S. 47:6015
Origin: Acts 2002, 1st. Ex. Session, No. 9
Effective Date: For Income tax years beginning After December 31, 2002 and Franchise Tax years beginning after December 31, 2003.

Beneficiaries: Qualifying Taxpayers increasing research activities in Louisiana

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

34. Technology Commercialization Credit

This credit, which is administered by the Department of Economic Development, is 15 percent of the investment in machinery and equipment and all expenditures associated with obtaining the rights to use or the use of technology, including fees related to patents, copyrights, and licenses. To qualify for the credit, an individual or business must invest in the commercialization of Louisiana technology in Louisiana.

This credit is effective for income tax years beginning after December 31, 2002, and franchise tax years beginning after December 31, 2003.

Legal Citation:	R.S. 51:2354
Origin:	Acts 2002, 1st Ex. Session, No. 8
Effective Date:	Income Tax years beginning after December 31, 2002, and Franchise Tax years beginning after December 31, 2003.
Sunset Date:	December 31, 2006 however, there is a 20-year carryforward of unused credit.

Beneficiaries: Qualifying individuals or businesses that invest in the commercialization of Louisiana technology

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 19.

Gift Tax Exemptions

Gift Tax
Index of Exemptions

Gift Tax

Introduction

The Louisiana gift tax law was enacted in 1940 to complement the inheritance tax law. With minor exceptions, it was patterned after the federal gift tax law.

The gift tax is imposed on donations between living persons, real or disguised, and transfers for an inadequate consideration in money's worth. It is irrelevant whether the transfer is in trust or otherwise, or whether the property is movable or immovable, corporeal or incorporeal.

Legal Citations

R.S. 47:1201 through 47:1212

Tax Base

The tax base consists of the true and full value of property transferred by gift (donations between living persons) based on the interest conveyed at the date of transfer. The tax base also includes the value of property transferred with donative intent for an amount less than adequate consideration in money or money's worth based on its true and full value at the date of transfer.

Tax Rate

The tax rates are two percent of the first $15,000 total sum of gifts in excess of the annual exclusion and specific lifetime exemption and three percent of any excess over $15,000.

Types of Tax Exemptions

Gift tax exemptions are in the form of exclusions and exemptions. Exclusions are the portion of the true and actual value of a gift that is excluded from the tax base by statute. Exemptions are the true and actual value of gifts included in the tax base, but specifically exempted from the tax imposed.

Significant Changes Fiscal Year 2002-2003

There were no significant changes in the gift tax laws during the past year.

Exemptions

1. Specific lifetime exemption; $30,000

This exemption allows donors to exempt up to $30,000 during their lifetime in computing the amount of any gift subject to tax. A donor may claim the total, or any portion of the specific lifetime exemption in any calendar year, or spread it over several calendar years. The purpose of this exemption is to provide the donor with a $30,000 exemption to cover gifts that exceed the annual exclusion for each donee.

Legal Citation: R.S. 47:1205(B)
Origin: Acts 1972, No. 569
Effective Date: July 12, 1972

Beneficiaries: Persons transferring property.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,277,000	$1,315,500

2. Gifts made to charitable, religious, or educational institutions located in Louisiana

This exemption allows gifts made exclusively to charitable, religious, or educational institutions located within Louisiana to be exempt from and excluded from the tax base, provided no part of the net earnings benefits any private shareholder or individual. The purpose of this exemption is to exempt donative transfers made to charitable, religious, or educational institutions located in Louisiana from the gift tax.

Legal Citation: R.S. 47:1204(1)
Origin: Acts 1940, No. 149
Effective Date: July 12, 1940

Beneficiaries: Charitable, religious, or educational institutions located within Louisiana receiving gifts.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$165,000	$170,000

3. Gifts made to the United States, the state of Louisiana, or its political subdivisions or civic organizations

This exemption allows the gifts made to the United States, the state of Louisiana, or any political subdivision thereof, or civic organization to be exempted and excluded from the tax base, provided the donor does not benefit directly or indirectly from the gift. The purpose of this exemption is to exempt donative transfers made to the United States, the state of Louisiana, or any political subdivision thereof, or any civic organization from the payment of gift tax.

Legal Citation: R.S. 47:1204(2)
Origin: Acts 1940, No. 149
Effective Date: July 12, 1940

Beneficiaries: The U.S. government, state of Louisiana, any political subdivision thereof, or civic organization receiving a gift, provided that the donor does not benefit directly or indirectly by such gifts.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$16,000	$16,500

4. Gifts to spouse

This exemption allows gifts made to a spouse during calendar year 1992 and thereafter to be exempted and excluded from the tax base. The purpose of this exemption is to provide a total exemption for gifts made to a spouse.

Legal Citation: R.S. 47:1204(3)
Origin: Acts 1987, No 236
Effective Date: July 2, 1987

Beneficiaries: Persons receiving gifts after December 31, 1991, from their spouses.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$149,000	$154,000

Exclusion

5. Annual exclusion per donee

This exclusion allows an amount per donee to be excluded annually in computing the amount of gifts made to each donee in any calendar year. From 1972 through 1985, the annual exclusion was $3,000 per donee; from 1986 through 2001, the annual exclusion was $10,000 per donee. Beginning with gifts made after December 31, 2001, the amount of the annual exclusion per donee shall be equal to the amount allowed for federal gift tax purposes. The purpose of this exclusion is to exclude the initial amount of gifts made to a donee.

Legal Citation: R.S. 47:1205(A)
Origin: Acts 2002, No. 15
Effective Date: August 15, 2002

Beneficiaries: Donors and donees of gifts during any one calendar year.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,950,000	$2,145,000

Hazardous Waste Disposal
Tax Exemption

Hazardous Waste Disposal Tax

Introduction

In 1984, Act 8 of the First Extraordinary Session, levied a one-time tax on the hazardous waste content of the land. The tax was at the rate of $2 per ton of waste disposed or stored in the land during 1981, 1982, 1983, and the first six months of 1984. This tax was administered by the Department of Environmental Quality, but collected by the Department of Revenue.

Also, by this same Act, the hazardous waste disposal tax was levied on the disposal of hazardous waste in Louisiana and on certain storage of wastes. The disposal tax rates were set at $5 per dry-weight ton of waste disposed at the same site where produced or generated and $10 per dry-weight ton of waste disposed or stored at a site other than where produced or generated. The tax was deemed collectible from the generator of the hazardous waste, if the generator disposed of his own hazardous waste, or from the disposer who must collect the tax from the generator of the waste at the time that the disposer received the waste. All generators and disposers must be registered with the Louisiana Department of Environmental Quality.

In 1988, Act 655 increased the rates to $10 per dry-weight ton of hazardous waste disposed on site and $20 per dry-weight ton of hazardous waste disposed at another site. This act further provided that the rates would increase $1 per year until 1998. Additional provisions of the 1988 Act were the imposition of a tax of $25 per dry-weight ton of extremely hazardous waste disposed in Louisiana and for the taxation of waste imported into Louisiana for disposal or storage.

The tax rates were again increased in 1990 by the passage of Act 391. This legislation changed the rates from $10, $20, and $25 per dry-weight ton to $30, $60, and $100, respectively. An additional provision allowed a credit of 0.5 percent of the tax due for collecting and remitting the tax timely. A tax on the transportation of hazardous and extremely hazardous wastes was also levied at the rate of $25 per gross-weight ton of hazardous or extremely hazardous wastes transported in Louisiana for disposal or storage in Louisiana.

During the 1992 Regular Legislative Session, Act 526 was enacted which reduced the tax on the disposal of waste at a site other than where produced from $60 per dry-weight ton to $40 per dry-weight ton. This legislation also repealed the tax on transporting hazardous or extremely hazardous waste effective July 1, 1992.

Legal Citations

R.S. 47:821 through 47:832

Tax Base

Dry-weight ton, or fraction thereof, of hazardous or extremely hazardous wastes disposed in Louisiana and of hazardous wastes stored for more than 90 days

Tax Rate

Effective July 1, 1992:

- $30 per ton of hazardous waste disposed at the site where produced
- $40 per ton of hazardous waste disposed at a site other than where produced
- $100 per ton of extremely hazardous waste disposed

Imported wastes produced out-of-state and disposed in Louisiana are taxed at either the current effective tax rate or at the rate that would be paid for disposal in the generating state, whichever is higher.

Hazardous Waste Disposal Tax

Types of Tax Exemptions

For hazardous waste disposal tax purposes, tax exemptions are in the form of a deduction. The deduction, for this purpose, is a specific reduction to the amount of tax due.

Significant Changes Fiscal Year 2002-2003

There were no significant changes in the hazardous waste disposal tax laws during the past year.

Deduction

1. Deduction for compliance

A deduction of 0.5 percent is allowed for the accurate and timely accounting for and remitting of the taxes due. The purpose of this deduction is to encourage compliance and to compensate companies for expenses relating to collection and remittance of the tax.

Legal Citation: R.S. 47:823(E)
Origin: Acts 1990, No. 391
Effective Date: August 1, 1990

Beneficiaries: Those parties responsible for collecting and remitting the taxes due benefit from this deduction. The state benefits from the prompt remittance of the taxes.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$20,000	$20,000

Corporation Income Tax Exemptions

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Corporation Income Tax

Introduction

The Louisiana corporation income tax was authorized by the 1921 state constitution. The first tax was levied in 1934 at the rate of four percent of corporate earnings exceeding $3,000. In 1977, Louisiana raised the income tax rate from a flat rate of four percent to a five-tier tax rate schedule that ranged from four percent of the first $25,000 of taxable income to a maximum of eight percent of the taxable income exceeding $200,000.

Like many other states that impose a corporate income tax, Louisiana closely follows the federal system. That is, the state employs the federal definition of income and deductions with certain modifications. Act 16 of the First Extraordinary Session of 1986 enacted R.S. 47:287.2 through 47:287.785 relative to corporation income tax and provided for the conformance of this tax to the federal tax system.

For multistate corporations, Louisiana net income is generally determined through formula apportionment. Under the formula apportionment method, total net income is generally apportioned to Louisiana based on the average of three factors: property, revenue, and wages. Louisiana allows a deduction for federal income tax in computing taxable income.

Domestic corporations organized under the laws of Louisiana, unless specifically exempted, must file an income tax return each year. Foreign corporations, organized under the laws of other states, who derive income from Louisiana sources, regardless of whether or not they have net income, must file an income tax return unless specifically exempted.

An income tax return must be filed on or before the fifteenth day of the fourth month following the close of an accounting period.

Legal Citations

R.S. 47:287.2 through 47:287.785

Tax Base

Taxable income earned within or derived from sources within Louisiana

Tax Rate

Four percent on the first $25,000; five percent on the next $25,000; six percent on the next $50,000; seven percent on the next $100,000; eight percent on the taxable income above $200,000.

Type of Tax Exemptions

Corporation income tax exemptions are in the form of exemptions/exclusions, deductions, and credits. An exemption/exclusion generally means that a corporation is statutorily exempt from the imposition of the corporate income tax because of the nature of the corporation's business or a specific item of income that is not taxed. Deductions are generally defined as a reduction in net income to arrive at taxable income. Credits are generally defined as a reduction to the amount of tax due. All exemptions related to corporation income tax are contained in this report.

The federal income tax deduction, although a statutory deduction, is also required by the state constitution. Repeal of this deduction requires a vote of the people. For this reason, this deduction has been separated from the others and appears at the end of this section.

Significant Changes Fiscal Year 2002-2003

Act 1240 (HB 892) amends R.S. 47:6007(B)(1) and (C)(1), R.S. 51:1787(A)(1), (B)(5), (C)(1), (D)(5), (H)(4), and 2453(4) and enacts R.S. 47:303(H) and 6007(C)(4) and (5) to provide that certain out-of-state employees locating in Louisiana qualify as "new direct jobs" under the Quality Jobs Rebate Program. The Act also allows a rebate of state and local sales and use tax for the use of customer-owned tooling in a compression molding process, provides that the motion picture investors tax credit is based on percentage of actual amount of investment, and provides for transferability of certain motion picture incentive tax credits. Effective July 1, 2003.

Exemptions and exclusions

1. Credit unions

Credit unions, together with all accumulations therein, are exempt from all taxes except for immovable property owned. The shares of a credit union are not subject to a stock-transfer tax when issued by the corporation or when transferred from one member to another. No fees or taxes, nor any of the stipulations as to capital stock set forth in general statutes for corporations, apply to credit unions. The purpose of this exemption is to minimize the tax burden on these nonprofit organizations.

Legal Citation: R.S. 6:662
Origin: Acts 1924, No. 40
Effective Date: July 1, 1924

Beneficiaries: Individuals who are a member of a state- or federal-chartered credit union.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

2. Exemption for certain foreign corporations

Certain foreign corporations operating as mutual savings banks, mutual savings funds societies, real estate investment trusts, state banks or trust companies, insurance companies, corporations associated with real estate investment trusts, group insurance and annuity corporations, and nonprofit or nontrading corporations are exempt from state corporation income tax. The purpose of this exemption is to grant financial assistance to qualifying corporations.

Legal Citations: R.S. 12:302(K)
R.S. 12:302(L)
Origin: Acts 1968, No. 105
Effective Date: 1968

Beneficiaries: Certain foreign corporations referred to in the law.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

3. Electric cooperatives

Electric cooperatives are exempt from all excise and income taxes, except for the fee of $10 for each 100 persons, or fraction thereof, to whom electricity is supplied within the state. The purpose of this exemption is to minimize the tax burden on nonprofit electric cooperatives.

Legal Citation: R.S. 12:425
Origin: Acts 1924, No. 266
Effective Date: July 1, 1940

Beneficiaries: Individuals and companies purchasing electricity from electric cooperatives.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

4. Exemption for events, activities, or enterprises conducted in domed-stadium facilities

Any event, activity, or enterprise conducted in certain domed-stadium facilities is exempt from all state and local taxes. The purpose of this exemption is to promote use of the domed stadium.

Legal Citation: R.S. 39:467
Origin: Acts 1985, No. 2
Effective Date: May 23, 1985

Beneficiaries: The increased use of the dome-stadium facilities benefits the state and its residents.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

5. Exemption for events, activities, or enterprises conducted in publicly-owned facilities

Any event, activity, or enterprise conducted in certain publicly-owned facilities is exempt from all state taxes provided that the local taxing authority first provides exemption from local taxes. The purpose of this exemption is to promote use of qualifying facilities.

Legal Citation:	R.S. 39:468
Origin:	Acts 1985, No. 2
Effective Date:	May 23, 1985

Beneficiaries: The increased use of publicly-owned facilities benefits the state and its residents.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

6. State banking corporations and shareholders

State banking corporations and their shareholders are exempt from corporation income tax. The purpose of this exemption is to grant state corporations and their shareholders the same tax exemptions allowed to national banking corporations and their shareholders.

Legal Citations:	R.S. 47:8
	R.S.□47:287.71(B)
Origin:	Acts 1966, No. 445
Effective Date:	July 1, 1966

Beneficiaries: State chartered banks and their shareholders.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

7. Dividends from national banking corporations

Dividends from national banking corporations are excluded from the gross income of corporations. The federal law in effect at the time the state income tax statutes were enacted prohibited states from taxing dividends of national banking corporations. Although this prohibition was removed, Louisiana did not change its statutes to tax these dividends. The purpose of this exclusion is to comply with federal laws in effect at the time of enactment.

Legal Citations:	R.S. 47:42 R.S. 47:287.71(B)
Origin:	Acts 1934, No. 21
Effective Date:	1934

Beneficiaries: Individual and corporate shareholders of national banking corporations.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

8. Interest on state or local government obligations

Interest earned on state or local obligations is excluded from gross income. The purpose of this exclusion is to encourage investment in Louisiana obligations.

Legal Citations:	R.S. 47:48 R.S. 47:287.71(B)(4)
Origin:	Acts 1934, No. 21
Effective Date:	1934

Beneficiaries: State and local governments and the individuals and entities who invest in their obligations.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

9. Governmental subsidies for operating public transportation systems

Funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system are excluded from gross income. The purpose of this exclusion is to provide financial assistance to public transportation systems.

Legal Citations:	R.S. 47:51 R.S. 47:287.71(B)(2)
Origin:	Acts 1979, No. 300
Effective Date:	Taxable periods beginning on or after January 1, 1979

Beneficiaries: Certain public-service corporations.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; this exclusion has been inactive. No future activity is anticipated.

10. Income from carriage on the high seas

Income derived from commerce on the high seas is excluded from gross income. At the time this exclusion was passed in 1942, Louisiana taxed domestic corporations on income from all sources. Since the law was changed to tax only income derived from sources within the state, the apportionment method should theoretically achieve the same result. The purpose of this exclusion is to tax only income derived from Louisiana sources.

Legal Citation:	R.S. 47:53
Origin:	Acts 1942, No. 100
Effective Date:	1942

Beneficiaries: Originally, this exclusion benefited domestic corporations deriving income from engaging in commerce on the high seas. Theoretically, this income is now apportioned outside Louisiana.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; no future activity is anticipated.

11. Certain exempt corporations, organizations, etc.

Organizations described in Internal Revenue Code sections 401(a) or 501 are exempt from corporation income tax to the extent that those organizations are exempt from income taxation under federal law. Also, the Louisiana corporation income statute exempts certain other organizations, corporations, etc. The purpose of this exemption is to provide financial assistance to these nonprofit organizations. The following is a list of exempt entities:

a. Labor, agricultural, and horticultural organizations that are educational or instructive in character, and are designed to encourage the development of agricultural and horticultural products. The income from these organizations must be used exclusively to meet the necessary expenses of upkeep and operation.
b. Mutual savings banks, national banking corporations, and banking corporations organized under the laws of the state of Louisiana, who pay a tax for their shareholders, or whose shareholders pay a tax on their shares of stock under other laws of this state, and building and loan associations.
c. Fraternal beneficiary societies, orders, or associations operating under the lodge system, or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to members of the society, order, or association or their dependents.
d. Nonprofit cemetery companies owned and operated exclusively for the benefit of their members.
e. Any corporation, community chest, or fund, organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.
f. Business leagues, chambers of commerce, real estate boards, or boards of trade not organized for profit and no part of the net earnings benefits any private shareholder or individual.
g. Nonprofit civic leagues or organizations operated exclusively for charitable, educational, or recreational purposes.
h. Clubs organized and operated exclusively for pleasure, recreation, or other nonprofit purposes.
i. Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations, but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.
j. Farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations (including interinsurers and reciprocal underwriters), but only if the income of which is used or held for the purpose of paying losses or expenses.
k. Certain farmers, fruit growers, or like associations organized and operated on a cooperative basis for the purpose of marketing products or purchasing supplies and equipment.
l. Corporations organized by exempt farmers' cooperatives to finance crop operations of members.
m. Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to organizations that are organized and operated exclusively for religious, charitable, scientific, literary, and educational purposes. No part of the net earnings can benefit any private stockholder.
n. Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of the association or their dependents.

11. Certain exempt corporations, organizations, etc. ***(continued)***

o. Teachers' retirement fund associations of a purely local character, if no part of their net earnings (other than through payment of retirement benefits) benefits a private shareholder or individual, and if the income consists solely of amounts received from public taxation, amounts received from assessments upon the teaching salaries of members, and income in respect of investments.

Legal Citations:	R.S. 47:121(1)-(15) R.S. 47:287.501(A) R.S. 47:287.501(B)(I) R.S. 47:287.521(A)
Origin:	Acts 1934, Nos. 21 and 28 Acts 1986, No. 16
Effective Date:	1934

Beneficiaries: Members and shareholders of these exempt corporations.

Administration: The purpose of these exemption are achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

12. Exemption for Certified Louisiana Capital Company

Any corporation that is a certified Louisiana capital company shall be exempt from corporation income tax for five consecutive taxable years. The exemption shall commence with the taxable year in which the capital company is certified by the commissioner of the Department of Economic Development.

Legal Citation:	R.S. 51:1932
Origin:	Acts 1986, No. 915
Effective Date:	Taxable periods beginning after December 31, 1985

Beneficiaries: Individuals who need venture capital to develop and operate a qualified Louisiana business.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect; there is no reporting requirement for the data.

Deductions

13. Percentage depletion

An additional deduction in determining net income is allowed for oil and gas depletion. The deduction is based on a percentage of gross income from the property limited to 50 percent of the net income from the property calculated without the deduction for depletion. The purpose of this deduction is to promote oil and gas exploration and production.

Legal Citations:	R.S. 47:158(C) R.S. 47:287.745
Origin:	Acts 1934, No. 21
Effective Date:	1934

Beneficiaries: Corporations whose percentage depletion on oil and gas properties is greater than their cost depletion.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$18,000,000	$18,000,000

14. Net Louisiana operating loss

Corporations are allowed to carry a net operating loss deduction back for 3 years and forward for 15 years. The purpose of this deduction is to allow corporations to offset losses made in one tax year with income earned in another.

Legal Citations:	R.S. 47:246 R.S.47:287.86
Origin:	Acts 1979, No. 586
Effective Date:	Taxable periods beginning after December 31,1978

Beneficiaries: Corporations who have losses for one year that can be offset against income earned during other years.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$160,650,000	$165,500,000

15. Subchapter S corporation

Corporations classified as S corporations under Subchapter S of the Internal Revenue Code may deduct a percentage of their Louisiana net income to arrive at taxable income. The percentage is determined by dividing the number of issued and outstanding shares of capital stock of the Subchapter S corporation owned by Louisiana resident individuals on the last day of the corporation's taxable year by the total number of issued and outstanding shares of capital stock of the corporation on the last day of the corporation's taxable year. The purpose of this deduction is to limit taxation on Subchapter S corporations to either the corporate or shareholder level.

Legal Citation:	R.S. 47:287.732
Origin:	Acts 1989, No. 622
Effective Date:	Taxable periods beginning on or after January 1, 1991

Beneficiaries: Subchapter S corporation shareholders.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$81,500,000	$84,000,000

Credits

16. Corporation jobs

A credit is allowed for each employee hired into a newly created job. The amount of the credit depends on whether the new employee qualifies as **economically disadvantaged** or is a resident of a neighborhood with an unemployment rate of 10 percent or more. The total jobs credit is limited to 50 percent of the tax liability. The purpose of this credit is to encourage corporations to create new jobs in Louisiana.

Legal Citations:	R.S. 47:34 R.S. 47:287.34 R.S. 47:287.749
Origin:	Acts 1978, No. 596 Acts 1986, No.16
Effective Date:	1978

Beneficiaries: Corporations creating new jobs.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$369,000	$380,000

Other Credits

17. Inventory tax/Ad valorem tax

A refundable tax credit is allowed for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors, and retailers. The credit was phased in beginning with a credit allowable for 20 percent of the inventory taxes paid during FYE 6-93. The credit percentages allowed for subsequent years are as follows: 40 percent for FYE 6-94; 60 percent for FYE 6-95; 80 percent for FYE 6-96; and 100 percent for ad valorem taxes paid after July 1, 1996.

Act 59 of the 1994 Third Extraordinary Session added R.S. 47:6006.1 to provide for a refundable tax credit against income and corporation franchise taxes for ad valorem taxes paid on vessels in Outer Continental Shelf Lands Act Waters. Also, Act 28 of the 1994 Regular Session amended R.S. 47:6006 to provide that this credit is not allowed for ad valorem taxes that have been collected from the persons to whom the inventory has been sold. The purpose of this credit is to provide a tax offset for inventory taxes paid to local authorities.

Legal Citation: R.S. 47:6006
R.S. 47:6006.1
Origin: Acts 1991, No. 153
Effective Date: July 1, 1992

Beneficiaries: All corporations paying ad valorem taxes on inventory.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$197,958,450[3]	$203,897,000[3]

[3] This amount includes the total revenue loss for individual income tax and corporation income and franchise taxes.

18. Credit for ad valorem tax paid by certain telephone companies

A credit is allowed for 40 percent of the total ad valorem taxes paid to Louisiana political subdivisions by telephone companies on their public service properties.

The credit is effective for income and franchise tax years ending on or after December 31, 2001.

Legal Citation: R.S. 47:6014

Origin: Acts 2000, No. 22

Effective Date: The credit is effective for income and franchise tax years ending on or after December 31, 2001.

Beneficiaries: Telephone companies in an amount equal to 40% of ad valorem taxes paid to political subdivisions for public service properties.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$31,096,000[3]	$30,028,000[3]

[3] This amount includes the total revenue loss for individual income tax and corporation income and franchise taxes.

19. Credit for Purchases from Prison Industry Enhancement Contractors

A tax credit is allowed for the state sales and use taxes paid on purchases 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.

Legal Citation:	R.S. 47:6018
Origin:	Acts 2002, No. 32
Effective Date:	The credit is effective for Income and Franchise Tax becoming due after December 31, 2002

Beneficiaries: Private Sector Prison Industry Enhancement contractor.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$31,096,000[3]	$30,028,000[3]

[3] This amount includes the total revenue loss for individual income tax and corporation income and franchise taxes.

20. Louisiana capital companies

A credit is allowed for contributions to certified Louisiana capital companies. The credit is equal to 35 percent of the cash investment in the capital of a certified Louisiana capital company. The purpose of this credit is to encourage investments in qualifying capital companies.

Legal Citations:	R.S. 51:1924
Origin:	Acts 1983, No. 642
Effective Date:	July 20, 1983

Beneficiaries: The additional venture capital produced by this credit benefits entrepreneurs. The state benefits from the new jobs created in Louisiana.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$8,060,000	$8,300,000

21. Cash donations to the Dedicated Research Investment Fund

A credit is allowed for cash donations of $200,000 or more to the Dedicated Research Investment Fund. The purpose of this credit is to encourage donations to qualifying funds, which will assist the research industry in the state.

Legal Citation: R.S. 51:2203
Origin: Acts 1987, No. 300
Effective Date: July 5, 1987

Beneficiaries: Qualifying research institutions.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to separately estimate the fiscal effect for credits 21-45. The Department's tax data combines these credits on the tax return. The combined revenue loss for these credits is as follows:

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$28,982,000	$29,851,000

22. Hiring eligible re-entrants

A credit is allowed for hiring re-entrants who have been convicted of a felony and who have successfully completed the Intensive Incarceration Program. The purpose of this credit is to provide job opportunities to qualified individuals.

Legal Citation: R.S. 47:287.748
Origin: Acts 1987, No. 758
Effective Date: Taxable periods beginning after December 31, 1986

Beneficiaries: Individuals employed as a result of this tax credit.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

23. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions

A credit is allowed to corporations, persons, estates, and trusts that donate, sell below cost, or contribute properties of a sophisticated and technological nature to educational institutions in the state of Louisiana. The credit allowed is 40 percent of the property's value, or, in the case of sales below cost, 40 percent of the difference between the price received and the property's value, subject to the limitations prescribed in the statute. The purpose of this credit is to encourage donations of qualifying equipment to educational institutions.

Legal Citations:	R.S. 47:37
	R.S. 47:287.34
	R.S. 47:287.755
Origin:	Acts 1983, No. 667
Effective Date:	January 1, 1984

Beneficiaries: Educational institutions, students, teachers, and the state as a whole.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

24. Neighborhood assistance

A credit is allowed to businesses that provide neighborhood assistance, job training for individuals, community service, or crime prevention to upgrade impoverished areas. The Commissioner of Administration may allow a credit of up to 70 percent of the actual amount contributed to approved programs. The total amount of the tax credit granted for programs approved by the Commissioner may not exceed 1 percent of the total amount of state corporate income tax collected in the prior fiscal year. The credit for any corporation shall not exceed $250,000. The purpose of this credit is to encourage assistance to impoverished areas.

Legal Citations:	R.S. 47:35
	R.S. 47:287.34
	R.S. 47:287.753
Origin:	Acts 1982, No. 653
Effective Date:	July 22, 1982

Beneficiaries: Residents of impoverished areas of the state.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

25. Employment of the previously unemployed

A credit is allowed for employment of each previously unemployed person in a qualified newly created full-time job. The credit is $750 for each qualified new job and employee and is allowed during the taxable period that the employee has completed one year of full-time service with the employer. The credit is in lieu of other job tax credits provided for in the law. The purpose of this credit is to encourage creation of new jobs, which will provide job opportunities for the unemployed.

Legal Citation:	R.S. 47:6004
Origin:	Acts 1989, No. 636
Effective Date:	Taxable periods beginning on or after July 1,1990

Beneficiaries: Corporations who hire the previously unemployed in a newly created full-time job benefit from this credit. The state as a whole benefits because these individuals are now employed and productive.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

26. Alternative fuel usage

A credit is allowed for vehicle conversion to certain alternative-fuel usage or for the purchase of vehicles that use certain alternative fuels. The amount of the credit is 20 percent of the cost of qualified clean-burning motor vehicle fuel property. If the vehicle is purchased with the equipment installed by the manufacturer, the tax credit is the lesser of 20 percent of 10 percent of the cost of the motor vehicle or $1,500. The purpose of this credit is to encourage the usage of alternative fuels, which will result in a cleaner environment.

Legal Citation:	R.S. 47:287.757
Origin:	Acts 1991, No. 1060
Effective Date:	January 1, 1991

Beneficiaries: The general public benefits from this credit as the result of a cleaner environment.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

27. Bone-marrow donor expense

A credit is allowed for bone-marrow donor expenses incurred by employers. The credit is for 25 percent of the expenses paid or incurred during the tax year by an employer to provide a program for employees who are potential or actual bone-marrow donors. The purpose of this credit is to encourage bone-marrow donations.

Legal Citation: R.S. 47:287.758
R.S. 47:297(I)
Origin: Acts 1992, No. 206
Effective Date: August 21, 1992

Beneficiaries: Individuals who need bone-marrow transplants.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

28. Employment of certain first-time drug offenders

A credit of $200 per employee per year for a maximum of two years is allowed for employing certain first-time drug offenders. The offender must have successfully completed a court-ordered drug treatment rehabilitation program, be less than 25 years old at the time of initial employment, and have worked 180 full-time days. The purpose of this credit is to encourage employment of first-time drug offenders who complete a drug rehabilitation program.

Legal Citations: R.S. 47:287.34
R.S. 47:287.752
R.S. 47:297(K)
Origin: Acts 1994, No. 104
Effective Date: Taxable periods beginning on or after January 1, 1994

Beneficiaries: First-time drug offenders who are employed by businesses that receive the credit and the companies and individuals who employ them.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

29. Investment losses in certain film productions

This credit, which is only available to taxpayers domiciled in Louisiana, is for 50 to 67 percent of an investor's film production loss before July 1, 2002 or 10 to 15 percent of an investor's investment in a film production after July 1, 2002, depending on the level of investment.

A minimum investment in a "state-certified production" is required to qualify for the credit. The Louisiana Film and Video Commission and the Department of Economic Development must certify that the production is being produced by a motion picture production company domiciled and headquartered in the state and there is a distribution agreement with either a major theatrical exhibitor, television network, or cable television programmer. This certification is provided to the investors and the Department of Revenue.

This tax credit, which is available for tax periods beginning January 1, 1993, through December 31, 2006, is based on a percentage of the investor loss or the investment in the production as follows:

January 1, 1993 through June 30, 2002:
- Investments $2 million but less than $10 million—50 percent of loss.
- Investments $10 million but less than $25 million—60 percent of loss.
- Investments $25 million and more—67 percent of loss.

July 1, 2002 through December 31, 2003:
- Investments $300 thousand but less than $1 million—10 percent of investment.
- Investments $1 million and more—15 percent of investment.

January 1, 2004 through December 31, 2006
- Investments $300,000 but less than $8 million – 10 percent of investment.
- nvestments $8 million and more – 15 percent of investment

The purpose of this credit is to encourage film production in Louisiana

Legal Citation:	R.S. 47:6007
Origin:	Acts 1992, No. 894; Amended Acts 2002, 1st Ext. Sess, No. 6 Amended Acts 2003, No. 1240
Effective Date:	Taxable Periods beginning on or after January 1, 1993
Sunset Date:	December 31, 2006

Beneficiaries: Investors in state-certified motion picture productions

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See #6 Motion Picture Incentive, Tax Exemption Contract Section.

30. Donations to assist qualified playgrounds

A credit is allowed for donations to assist qualified playgrounds in certain economically depressed areas. The credit shall be an amount equal to the lesser of $1,000 or 1/2 of the value of the donation. The purpose of this credit is to encourage donations to qualified playgrounds.

Legal Citation:	R.S. 47:6008
Origin:	Acts 1992, No. 898
Effective Date:	Tax periods beginning after December 31, 1992

Beneficiaries: The people living in economically depressed areas.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

31. Louisiana basic-skills training

Corporations are allowed a credit of $250 per qualified employee who participates in a basic-skills training program at an accredited school. The credit cannot exceed $30,000 for any single business in a particular year. Basic-skills training means any employer-paid training for qualified employees that enhances the employees' reading, writing, or mathematical skills to at least a twelfth-grade level. The purpose of this credit is to encourage corporations to provide basic-skills training, which will result in a more educated work force.

Legal Citation:	R.S. 47:6009
Origin:	Acts 1992, No. 1098
Effective Date:	July 1, 1993

Beneficiaries: Individuals benefit from this credit by enabling them to bring their reading, writing, and mathematical skills to at least a twelfth-grade level. A better educated employee will be an asset to employers and the state.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

32. Insurance company premium tax

A credit is allowed for any premium taxes paid to the Insurance Commissioner of the state of Louisiana. The purpose of this credit is to allow an offset for the premium taxes paid. An offset provided under R.S. 22:1068 and R.S. 22:1382 against the premium tax liability has reduced the impact of the premium tax credit.

Legal Citation:	R.S. 47:227
Origin:	Acts 1934, Nos. 21 and 61
Effective Date:	1934

Beneficiaries: Insurance companies that pay premium taxes.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

33. Certain refunds issued by utilities

Refunds made by utility companies, resulting from denial of rate increases, may be credited against gross income. If a deduction from gross income would result in a net loss, the utility company may elect to take an income tax credit subject to certain limitations. The purpose of this credit is to accurately reflect the utility company's gross income.

Legal Citations:	R.S. 47:265 R.S. 47:287.664
Origin:	Acts 1960, Nos. 1 and 210
Effective Date:	1960

Beneficiaries: Utility companies making refunds under these circumstances.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: The fiscal effect for this credit is combined with the other credits 21-45. However, the effects of this credit have been replaced by the provisions of the net operating loss statute. (See R.S. 47:287.86.) Therefore, as long as §287.86, is valid there should be no fiscal effect.

34. Donations to public elementary or secondary schools

A credit is allowed for qualified donations made to public elementary or secondary schools. The credit allowed is for 40 percent of the appraised value of the donation and not to exceed the taxpayer's total tax liability for the year. "Qualified donation" means a donation of immovable property purchased or otherwise acquired by a corporation and donated to a public school immediately adjacent or contiguous to the property.

Legal Citation: R.S. 47:6013
Origin: Acts 1998, No. 51
Effective date: July 1, 1998

Beneficiaries: Corporations that make such donation and public schools in the state.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

35. Low-income housing

A credit is allowed to providers of certain low-income housing. The credit is computed in accordance with the provisions of Section 42 of the 1986 Internal Revenue Code as modified by Act 972 of the 1990 Legislative Session. The purpose of this credit is to encourage investment in low-income housing.

Legal Citation: R.S. 47:12
Origin: Acts 1990, No. 1033
Effective Date: Taxable periods beginning on or after July 1, 1990
Sunset date: December 31, 1993

Beneficiaries: Corporations providing low-income housing and the tenants in the housing.

Administration: The purpose of this credit is achieved in a fiscally effective manner, as taxpayers can carry over credits to succeeing years until used.

Estimated Fiscal Effect: See number 21.

36. Employment in a qualified motion picture production

A credit is allowed for qualified motion picture production companies for employment of Louisiana residents in the production of a qualified motion picture. The credit allowed is 10 percent of the total payroll for residents employed in the production if the total qualified payroll is $300,000 or more during the taxable year or 20 percent if the total qualified payroll is $1 million or more during the taxable year.

Legal Citation:	R.S. 47:1125.1
Origin:	Acts 2002, 1st Ext. Sess., No. 6
Effective date:	July 1, 2002
Sunset date:	June 30, 2006

Beneficiaries: Qualified production companies and Louisiana residents employed by such companies.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See #6 Motioin Picture Incentive, Tax Exemption Contract Section.

37. Purchase of qualified recycling equipment

A credit is allowed for purchases of qualified recycling equipment made between September 1, 1991 and December 31, 2000. The amount of the tax credit is 20 percent of the cost of the equipment less other tax credits received for the purchase of the equipment. The net credit amount is limited to 50 percent of the income and franchise tax liability. The purpose of this credit is to encourage the purchase of qualifying equipment, which will result in a cleaner environment.

Legal Citation:	R.S. 47:6005
Origin:	Acts 1991, Nos. 359 and 1052
Effective Date:	Taxable periods beginning on or after January 1, 1991
Sunset date:	December 31, 2000 Howevever, unused credits may be carried forward until credit is exhausted or the equipment is sold.

Beneficiaries: The state's improved environment will benefit the general public.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

38. Alcohol and other substance abuse treatment programs for employees

A credit is allowed of five percent of the qualified treatment expenses for alcohol and substance abuse paid or incurred by an employer on behalf of his employees in connection with an alcohol and substance abuse program. No deduction is allowed in computing taxable income for expenses that are taken into account in determining the amount of such credit or for drug testing. The purpose of this credit is to promote a drug-free work environment, which should increase safety and production.

Legal Citation: R.S. 47:6010
Origin: Acts 1994, No. 33
Effective Date: Taxable years beginning on or after January 1, 1994

Beneficiaries: Individuals who take advantage of such company funded programs and the companies that provide the programs and receive the benefits of a drug-free work force.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

39. Donations of property to certain offices and agencies

A credit is allowed for 50 percent of the value of historical property donated to the Old State Capitol, the State Capitol Complex, and the State Archives. The amount of the credit in any year is limited to 25 percent of the donor's tax liability. Unused credits may be carried over to subsequent years. The maximum amount of credit that may be granted in the aggregate in any single year is $70,000. The purpose of this credit is to encourage donations to certain state agencies property with historical value. This serves to preserve such property for future generations.

Legal Citation: R.S. 47:6011
Origin: Acts 1996, No. 10
Effective Date: August 1, 1996
Sunset Date: June 30, 2000 Howevever, unused credits may be carried forward until full credit has been used

Beneficiaries: Corporations who make such donations.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

40. Donations of material, equipment, or instructors made to certain training providers

A credit is allowed for donations of materials, equipment, or instructors made to training providers vocational/technical schools, apprenticeship programs registered with the Louisiana Department of Labor, or community colleges within the state. The credit is for one-half the value of the materials, equipment, or services donated. The tax credit when combined with other tax credits cannot exceed 20 percent of the employer's tax liability for any taxable year.

Legal Citation:	R.S. 47:6012
Origin:	Acts 1998, No. 30. Amended by Acts 2002, No. 11.
Effective date:	June 24, 1998
Sunset date:	December 31, 2000

Reestablished: August 15, 2002 for taxable periods beginning after December 31, 2002.

Beneficiaries: Individuals who take the tax credit and the citizens of the state that benefit from better equipped training facilities.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

41. Atchafalaya Trace Heritage Area Development Zone Tax Exemption

The Board of Commerce and Industry, after receiving approval from the review board consisting of the secretaries of the Department of Revenue and Culture, Recreation and Tourism, chairmen of the Atchafalaya Trace Heritage Area Commission, House Committee on Ways and Means, and Senate Revenue and Fiscal Affairs Committee and the executive director of the Atchafalaya Trace Commission, with the approval of the governor, may enter into contracts with heritage-based cottage industry concerns located in the development zone to grant tax credits to promote economic development and the creation of new jobs.

The credits that may be granted are:

- a $750 credit for the business, and
- a $750 credit for each new development zone resident employee.

The tax credit contract is for five years. The development zone covers the 13 parishes of St. Mary, Iberia, St. Martin, St. Landry, Avoyelles, Pointe Coupee, Iberville, Assumption, Terrebonne, Lafayette, West Baton Rouge, Concordia, and East Baton Rouge.

Legal Citation:	R.S. 25:1226.4
Origin:	Acts 2002, 1st Ex. Session, No. 112
Effective Date:	January 1, 2003
Sunset Date:	No new applications to receive tax exemptions or credits will be accepted on or after January 1, 2007

Beneficiaries: Heritage-based cottage industry located in the development zone

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

42. Credit for Debt Issuance Costs

An economic development corporation is allowed a credit equal to the filing fee paid to the Louisiana Bond Commission for the preparation and issuance of bonds.

The credit shall be taken as a credit against the applicable tax or taxes in the taxable period in which the expenses were incurred, not to exceed the total tax liability for that taxable year.

Legal Citation:	R.S. 47:6017
Origin:	Acts 2002, No. 78
Effective Date:	June 25, 2002

Beneficiaries: Economic development corporations

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

43. Credit for Rehabilitation of Historic Structures

A tax credit is allowed for the eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development district. The credit is 25 percent of the cost and expenses up to $250,000 per structure.

This credit is effective for the period July 1, 2002, through December 31, 2004.

Legal Citation:	R.S. 47:6019
Origin:	Acts 2002, No. 60
Effective Date:	Effective for the period July 1, 2002 through December 31, 2004
Sunset Date:	December 31, 2004, however, there is a five-year carryforward of unused credits.

Beneficiaries: Individuals or businesses rehabilitating a qualified historic structure

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

44. New Markets Credit

A tax credit is allowed for investments in qualified low-income community development entities (CDEs). The total tax credits that may be allowed for all taxpayers during any taxable year cannot exceed $5 million. Before claiming the tax credit, investors must make application to the Department and the credits will be allocated on a first-come, first-served basis.

Investors are eligible for the tax credit if the Community Development Entity (CDE) has made qualified low-income community investments and no more than 25 percent of their investments in low-income communities are in the form of loans. Also, qualified low-income community investments cannot consist of investments secured by any state or federal governmental entity.

This credit is effective for tax years beginning on or after September 1, 2002 and is null and void on August 31, 2006.

Unused credits can be carried over to succeeding years until used.

Legal Citation:	R.S. 47:6016
Origin:	Acts 2002, No. 66
Effective Date:	For tax years beginning on or after September 1, 2002
Sunset Date:	August 31, 2006

Beneficiaries: Private sector capital investors investing in certain low-income community investments.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

45. Research and Development Credit

The Department of Economic Development (DED) may approve a credit to qualifying taxpayers in an amount equal to eight percent of the state's apportioned share of the taxpayer's expenditures for increasing research activities, or 25 percent of the state's apportioned share of eligible expenditures if the taxpayer claims the alternative incremental tax credit pursuant to 26 U.S.C.A. §41. DED may also approve an additional one-time credit to taxpayers who receive Small Business Innovation Research Grants for eight percent of the award.

The credit is phased-in as follows:
- 25 percent of the credit is allowed for the period 1/1/2003 through 12/31/2003,
- 50 percent of the credit is allowed for the period 1/1/2004 through 12/31/2004,
- 75 percent of the credit is allowed for the period 1/1/2005 through 12/31/2005,
- 100 percent of the credit is allowed for the period beginning after 12/31/2005.

This credit is effective for income tax years beginning after 12/31/2002 and franchise tax years beginning after 12/31/2003.

Legal Citation:	R.S. 47:6015
Origin:	Acts 2002, 1st. Ex. Session, No. 9
Effective Date:	For Income tax years beginning after December 31, 2002 and Franchise tax years beginning after December 31, 2003.
Sunset Date:	December 31, 2006. However, there is a ten-year carry forward of unused credits.

Beneficiaries: Qualifying Taxpayers increasing research activities in Louisiana

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

46. Technology Commercialization Credit

This credit, which is administered by the Department of Economic Development, is 15 percent of the investment in machinery and equipment and all expenditures associated with obtaining the rights to use or the use of technology, including fees related to patents, copyrights, and licenses. To qualify for the credit, an individual or business must invest in the commercialization of Louisiana technology in Louisiana.

This credit is effective for income tax years beginning after December 31, 2002, and franchise tax years beginning after December 31, 2003.

Legal Citation:	R.S. 51:2354
Origin:	Acts 2002, 1st Ex. Session, No. 8
Effective Date:	Income Tax years beginning after December 31, 2002, and Franchise Tax years beginning after December 31, 2003.
Sunset Date:	December 31, 2006, however, there is a 20-year carryforward of unused credit.

Beneficiaries: Qualifying individuals or businesses that invest in the commercialization of Louisiana technology

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

Exemption also required by the state constitution

47. Federal income tax deduction

A deduction is allowed for federal income taxes paid on income taxed by Louisiana. The purpose of this deduction is to reduce the corporate income tax burden.

Legal Citations:	La. Const., art. VII, Part I, § 4(A) (West 2001), R.S. 47:55 R.S. 47:241 R.S. 47:287.85
Origin:	1974 Constitution and Acts 1974, No. 188
Effective Date:	1974

Beneficiaries: All corporate taxpayers who paid federal income tax.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$56,000,000	$57,250,000

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47.	Credit for certain child care expenses	R.S. 47:297.4	154
48.	Credit for debt issuance costs	R.S. 47:6017	155
49.	Long-term insurance premiums credit	R.S. 47:297(M)	155
Exemption prohibited from taxation by the state constitution			
50.	Federal income tax deduction	La. Const., art. VII, Part 1 § 4(A)(West 2001) R.S. 47:293(5) R.S. 47:293(6)	156

Individual Income Tax

Introduction

Louisiana's individual income tax was first imposed in 1934. The tax is assessed on a resident individual's income derived from all sources and a nonresident individual's income derived from Louisiana sources. Resident individuals are allowed a credit for income tax paid to other states on income that is also taxed by Louisiana.

Like other states that impose a personal income tax, Louisiana closely follows the federal system utilizing the federal definition of income and deductions with certain modifications. Louisiana tax-table income is a modified federal adjusted gross income less federal income taxes paid.

The income tax base is partially diminished by a combined personal exemption/standard deduction of $4,500 for single filers and married taxpayers filing separately or $9,000 for married taxpayers filing jointly and head-of-household filers. Additional $1,000 deductions are given for each dependent and each taxpayer who is blind or 65 years of age or older.

Any resident, nonresident, or part-year resident required to file a tax return must do so by the fifteenth day of the fifth month after the close of their taxable year.

Legal Citations

R.S. 47:21 through 47:285
R.S. 47:290 through 47:299

Tax Base

The tax base for taxable period January 1, 2003, through December 31, 2003, is comprised of federal adjusted gross income less federal income tax with adjustments for other modifications to federal adjusted gross income.

The deduction for excess itemized deductions has been repealed and the income tax brackets have been revised for all taxable periods beginning after December 31, 2002 with the passing of the amendment of Article VII, Section 4(A) and passing of Article VII, Section 2.2 of the Constitution of Louisiana.

Tax Rate

Effective for taxable periods beginning after December 31, 2002 tax tables are used to determine tax liability using rates as follows:

Married couple filing joint return or qualifying widow:
2% on the first $25,000
4% on the next $25,000
6% on the taxable income above $50,000

Single, Head of Household, and married filing separately:
2% on the first $12,500
4% on the next $12,500
6% on the taxable income above $25,000

Type of Tax Exemptions

Individual income tax exemptions are in the form of exemptions/exclusions, deductions, and credits. Exemptions/exclusions generally mean a specific item of income that is not included in taxable income. Deductions are generally defined as a reduction in net income to arrive at taxable income. Credits are generally defined as a reduction to the amount of tax due. All exemptions related to individual income tax are contained in this report.

The federal income tax deduction, although a statutory deduction, is also required by the state constitution. Repeal of this deduction requires a vote of the people. For this reason, this deduction has been separated from the other exemptions and appears at the end of this section.

Significant Changes
Fiscal Year 2002-2003

There were no significant changes to the Individual Income Tax law during the past year

Exemptions/exclusions

1. Annual retirement income exclusion

Persons 65 years or older may exclude up to $6,000 of annual retirement income from their taxable income. The purpose of this exclusion is to reduce the tax burden for persons 65 years or older.

Legal Citation: R.S. 47:44.1
Origin: Acts 1981, No. 880
Effective Date: Taxable periods beginning after December 31, 1980

Beneficiaries: Retirees, 65 years or older, with taxable retirement income.

Administration: The purpose of this exemption/exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$14,134,000	$14,558,000

2. Disability income exclusion

Beginning January 1, 2001, $6,000 of annual disability income received by an individual, as provided in R.S. 23:1221(2), is exempt from income tax. An individual claiming an exemption under R.S. 47:79(A)(2), for blindness, loss of one or more limbs, mental retardation, or for deafness is not eligible for this exemption.

Legal Citation: R.S. 47:44.1(B)
Origin: Act 2000 No. 34
Effective Date: January 1, 2001

Beneficiaries: Individual receiving certain disability income

Administration: The purpose of this exemption is achieved in a fiscally effective manner

Estimated Fiscal Effect: We are unable to estimate the fiscal effect of the exclusion since no data existed at the time of this report.

3. State employees, teachers, and other retirement benefits exclusion

Individuals receiving benefits from certain retirement systems are allowed to exclude those benefits from their Louisiana tax-table income. Acts 68 and 69 of 1991, amended and reenacted R.S. 33:7203 and R.S. 40:427.2(E), relative to Municipal and State Police Employees Retirement Systems, to provide that deferred retirement option plan funds are exempt from state income tax. The purpose of this exclusion is to shelter certain retirement benefits from the income tax.

Legal Citations:

R.S. 11:405	State Employees' Retirement System
R.S. 11:570	Funded Judicial Retirement Plan
R.S. 11:1378	Non-contributory Judicial Retirement Plan Beginning after Dec. 30, 1980
R.S. 11:704	Teachers' Retirement System
R.S. 11:704	Teachers' Retirement System of Orleans Parish
R.S. 11:1003	Louisiana School Employees' Retirement System
R.S. 11:1331	State Police Pension and Retirement System
R.S. 11:1397	Pensions for Confederate Veterans and Widows of Confederate Veterans
R.S. 11:1403	Assessors Retirement Fund
R.S. 11:1526	Clerks' of Court Retirement and Relief Fund
R.S. 11:1583	District Attorneys' Retirement System
R.S. 11:1735	Municipal Employees' Retirement System
R.S. 11:1735	City of Baton Rouge Retirement System
R.S. 11:1735	Employees' Retirement System of East Baton Rouge Parish
R.S. 11:1735	Employees' Retirement System of Shreveport
R.S. 11:1905	Parochial Employees' Retirement System
R.S. 11:1905	Employees' Retirement System of Jefferson Parish
R.S. 11:3014	City of Alexandria Employees' Retirement System
R.S. 11:3051	City of Bogalusa Employees' Retirement System
R.S. 11:2033	Registrars of Voters Employees' Retirement System
R.S. 11:2182	Sheriffs' Pension and Relief Fund
R.S. 11:2228	Municipal Police Employees' Retirement System
R.S. 11:2263	Firefighters Retirement System (See note at end of this list.)
R. S. 11:3140	Firemen's Pension and Relief Fund for the Consolidated Fire Districts Bastrop
R. S. 11: 3161	Firemen's Pension and Relief for Baton Rouge
R. S. 11:3171	Firemen's Pension and Relief Fund for Bogalusa (Some retirees may still get a check from this fund. Active firemen have merged with the Firefighthers' Retirement System.)
R.S. 11:3389	Firefighters' Pension and Relief Fund of New Orleans
R.S. 11:3513	Policemen's Pension and Relief Fund for City of Monroe
R.S. 11:3566	Policemen's Pension and Relief Fund for Alexandria
R.S. 11:3568	Policemen's Pension and Relief Fund for City of Bossier City
R.S. 11:3608	Policemen's Pension and Relief Fund for City of Lafayette
R.S. 11:3658	Policemen's Pension and Relief Fund for the Police Department of the City of New Orleans
R.S. 11:2228	Policemen's Pension and Relief Fund for Lafayette
R.S. 11:3691	Harbor Police Retirement System (Port of New Orleans)
R.S. 11:2228	Policemen's Pension and Relief Fund of the City of Shreveport
R.S. 11:3770	Bus Drivers' Pension and Relief Fund of the City of Monroe
R.S. 11:3800	Electrical Workers' Pension and Relief Fund of the City of Monroe

R.S. 11:3823	Employees' Retirement System of the Sewage and Water Board of the City of New Orleans
R. S. 17:1613	LSU Retirement System
R.S. 47:44.2	Railroad Retirement System Benefits
R.S. 47:44.2	Social Security Retirement Benefits
R.S. 47:52	Disability Pay to World War II Veterans
U.S.C.A. 45:231(m)	Railroad Retirement Supplemental

Note: The "Firefighters' Retirement System was established effective January 1, 1980 by R.S. 11:2251 et seq. As of October 1999, all of the local firefighters' retirements systems have merged with this system except the systems for the Cities of Baton Rouge and New Orleans. The following information is provided just in case it might be needed.

Firemen's Pension and Relief Fund of:

R.S. 11:3118	Bogalusa
R.S. 11:3205	Bossier City
R.S. 11:3229	Houma
R.S. 11:3258	Kenner
R.S. 11:3294	Lafayette
R.S. 11:3321	Lake Charles
R.S. 11:3345	Monroe
R.S. 11:3408	Ouachita
R.S. 11:3440	Shreveport
R.S. 11:3470	West Monroe

Origin: Various legislation since 1946
Effective Date: 1946 and subsequent years

Beneficiaries: Retirees of various public retirement systems and individuals receiving social security benefits or railroad retirement payments.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$69,507,500	$71,593,000

4. Federal retirement benefits exclusion

Federal retirement benefits received by federal retirees, both military and nonmilitary, may be excluded from Louisiana taxable income. The purpose of this exclusion is to shelter federal retirement benefits from the income tax.

Legal Citation: R.S. 47:44.2
Origin: Acts 1989, No. 812
Effective Date: 1988 and subsequent taxable periods

Beneficiaries: Individuals receiving federal retirement income, both military and nonmilitary.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$18,650,000	$19,209,500

5. Certain compensation paid to military personnel

Compensation of thirty thousand dollars or less paid to a member of the United States armed forces for services performed outside the state will be exempt from income tax.The exemption is for tax periods beginning after December 31, 2002 and ending before January 1, 2005. Such member must be on active duty and the duty must be continuous and uninterrupted for 120 days or more.

Legal Citation:	R.S. 47:293(6)(e)
Origin:	Act 2000, No. 34
Effective Date:	January 1, 2001

Beneficiaries: Military personnel deriving income outside Louisiana.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect of the exclusion since no data existed at the time of this report.

6. Exclusion for certain income reported to shareholders of banks organized as S Corporations

An S Bank shareholder may exclude an amount equal to the S Bank shareholder's non-taxable income from Louisiana tax table income. S Bank non-taxable income is defined as the portion of the income reported by an S Bank on Form 1120S Schedule K-1, or equivalent document, which is attributable to the net earnings used to compute the S Bank's shares tax as provided in R.S. 47:1967.

Legal Citation:	R.S. 47:297.3
Origin:	Acts 2002, No. 30
Effective Date:	Tax periods beginning on or after January 1, 2003

Beneficiaries: S Bank Shareholders

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$884,000	$884,000

7. Exemption for Estate and Trust

Relative to income tax on estate and trust, the law was amended in the 2000 Regular Legislative Session to provide an exemption amount that when combined with the federal exemption totals $2,500.

Legal Citation:	R.S. 47:300.6(B)(2)(c)
Origin:	Acts 2000, No. 40
Effective Date:	Taxable periods beginning after December 31, 2000.

Beneficiaries: Estates and trusts subject to Louisiana income tax.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect of the exclusion since no data existed at the time of this report.

Deductions

8. Disabled individual home adaptation expense

Individuals with a disability, as described by R.S. 51:2232(11), that is permanent in nature are allowed to deduct from gross income up to $5,000 of expenses incurred to make necessary adaptations to their home. The disabled individual's gross family income must be $50,000 or less to qualify for this deduction. The purpose of this deduction is to provide financial relief to individuals for expenses incurred modifying their homes to accomodate disabilities.

Legal Citations:	R.S. 47:77 R.S. 47:59.1
Origin:	Acts 1994, No. 11
Effective Date:	June 7, 1994

Beneficiaries: Individuals with such disabilities who incur qualified home adaptation expenses.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect. There is no reporting requirement for the data.

9. Dependent exemption/deduction

A $1,000 deduction from the lowest tax bracket is allowed for each dependent. The purpose of this deduction is to reduce the tax burden for taxpayers with dependents.

Legal Citations:	R.S. 47:79 R.S. 47:294(B)
Origin:	Acts 1934, No. 21 Acts 1980, No. 316
Effective Date:	January 1, 1935

Beneficiaries: All individual taxpayers who file a tax return and claim one or more dependents.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$30,536,000	$31,453,000

10. Excess federal itemized deductions

Taxpayers are allowed to deduct federal itemized deductions that are in excess of the federal standard deduction. The amount of federal standard deduction changes each year. The law was amended in 2000 to limit the deductibility of excess federal itemized deductions to 50% beginning after December 31, 1999 and ending before January 1, 2002. The law was amended again in 2002 to limit the deductibility of excess federal itemized deductions to 57.5 percent for tax years beginning after December 31, 2001 and ending prior to January 1, 2003. The purpose of this deduction is to shelter a portion of a taxpayer's income from state income tax.

The excess federal itemized deduction has been repealed with the passing of the amendment of Article VII, Section 4(A) and passing of Article VII, Section 2.2 of the Constitution of Louisiana for taxable periods beginning after December 31, 2002 (Acts 2002, No. 51).

Legal Citation:	R.S. 47:293
Origin:	Acts 1980, No. 316; Acts 2000, No. 38 Amended Acts 2002, No. 24; Amended Acts 2002, No. 51

Effective Date: Taxable periods beginning on or after January 1, 1980. Taxable periods beginning after December 31, 1999 and ending before January 1, 2002. Taxable periods beginning after December 31, 2001 and ending prior to January 1, 2003. Taxable periods beginning after December 31, 2002.

Beneficiaries: Individual taxpayers who itemize their federal deductions.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$Not in effect	Not in effect

11. Student Tuition Assistance

Relative to the Student Tuition Assistance and Revenue Trust Program, the amount an owner deposits into an education savings account shall be deducted from taxable income up to a maximum of $2,400 per taxable year. An individual may designate on his income tax return that any part of his income tax refund be deposited into the fund. Any funds withdrawn from the account to pay expenses other than qualified higher education expense as defined in R.S. 17:3092(10) is included in taxable income. The law was amended in 2001 to allow for the difference between the total deposited, if less than the maximum and $2,400 to be carried forward to subsequent years.

Legal Citations:	R.S. 17:3095(A)(1), 17:3098, 47:120.62, and 47:293(6)(a)(vi)
Origin:	Acts 2000, No. 45 Acts 2001, No. 332
Effective Date:	July 1, 2000, for taxable periods after January 1, 2001

Beneficiaries: All individuals who deposit funds into a qualified education saving account.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to estimate the fiscal effect of the exclusion since no data existed at the time of this report.

12. Personal exemption/standard deduction

Taxpayers are allowed a deduction from tax table income. The combined personal exemption/standard deduction is $4,500 for taxpayers filing single or separate returns and $9,000 for taxpayers filing joint returns or as head of household and is deducted from the lowest tax bracket. The purpose of this deduction is to shelter a portion of a taxpayer's income from state income tax.

Legal Citation:	R.S. 47:294(A)
Origin:	Acts 1934, No. 21
Effective Date:	1934

Beneficiaries: All individual taxpayers who file a tax return.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$229,362,000[4]	$236,243,000[4]

4 The fiscal effect assumes no restrictions on eliminating this deduction. Assuming that to reduce this deduction below the levels in effect January 1, 1974, would require a constitutional amendment, 58 percent of the fiscal effect should be considered constitutionally protected.

Credits

13. Net income taxes paid to other states

A credit is allowed for taxes paid to other states. The purpose of this credit is to allow taxpayers to deduct the income tax paid to other states on income also taxed by Louisiana, so as not to subject the taxpayer to double taxation.

Legal Citation: R.S. 47:33
Origin: Acts 1946, No. 203
Effective date: 1946

Beneficiaries: Louisiana resident individuals who derive taxable income from other states.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$18,484,000	$19,039,000

14. Contribution of tangible personal property of a sophisticated and technological nature to educational institutions

A credit is allowed for contributions of tangible personal property of a sophisticated and technological nature to educational institutions. The credit allowed is 40 percent of the property's value, or, in the case of sales below cost, 40 percent of the difference between the price received and the property's value, subject to the limitations prescribed in the statute. The purpose of this credit is to allow a tax credit to corporations, persons, estates, and trusts that donate, sell below cost, or contribute properties of a sophisticated and technological nature to educational institutions in the state of Louisiana.

Legal Citation: R.S. 47:37
R.S. 47:287.755
Origin: Acts 1983, No. 667
Effective Date: January 1, 1984

Beneficiaries: Educational institutions, students, teachers, the state as a whole, donors who make a contribution of equipment.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$334,750	$345,000

15. Certain disabilities

A credit of $100 is allowed for taxpayers, spouses, or dependents who are blind, deaf, mentally incapacitated, or have lost the use of a limb. The purpose of this credit is to reduce the tax burden for persons with certain disabilities.

Legal Citation: R.S. 47:297(A)
Origin: Acts 1980, No. 316
Effective Date: Taxable periods beginning after December 31, 1979

Beneficiaries: Individual taxpayers with certain disabilities.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,342,000	$1,382,000

16. Special allowable credits

A credit is allowed for ten percent of the amount of certain federal income tax credits. Beginning in 1975, the use of federal tax as an entry into state tax tables gave taxpayers benefit of the following credits:

- credit for contributions to candidates for public office
- credit for the elderly
- credit for child and dependent care expenses
- investment credit
- foreign tax credit
- work incentive credit
- jobs credit
- residential energy credit

In 1980, the method was changed to use federal adjusted gross income to calculate the amount of tax due. Because the change eliminated federal tax credits, this provision was enacted. Beginning in 1986, the credit was limited to $25. The purpose of this credit is to allow some of the federal credits to also be applied against the state tax liability.

Legal Citation: R.S. 47:297(B)
Origin: Acts 1980, No. 316
Effective Date: Taxable periods beginning after December 31, 1979

Beneficiaries: Individual taxpayers who are entitled to certain federal credits.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,635,000	$1,684,000

17. Education

A credit of $25 is allowed for each qualified dependent child who was in school in kindergarten through twelfth grade at least part of the year. This credit enacted in 1980, was suspended beginning with the tax year 1986 through tax year 1995. The purpose of this credit is to assist taxpayers with education expenses. The credit was suspended by Act 38 of the 2000 legislative session for the taxable years beginning after December 31, 1999, and before January 1, 2002. Acts 2002, No. 25 suspended the credit for tax years beginning on or after January 1, 2000, and prior to January 1, 2006.

Legal Citation: R.S. 47:297(D)
Origin: Acts 1980, No. 316; Acts 2000, No. 38; Acts 2002, No. 25
Effective Date: Taxable periods beginning after December 31, 1979. Suspended for taxable periods January 1, 2000 through December 31, 2006

Beneficiaries: Individual taxpayers with school age dependent children.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-03	**FYE 6-04**
$0	$0

18. Inventory tax/Ad valorem tax

A refundable tax credit is allowed for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors, and retailers. The credit was phased in beginning with a credit allowable for 20 percent of the inventory taxes paid during FYE 6-93. The credit percentages allowed for subsequent years are as follows: 40 percent for FYE 6-94; 60 percent for FYE 6-95; 80 percent for FYE 6-96; and 100 percent for ad valorem taxes paid after July 1, 1996.

Act 59 of the 1994 Third Extraordinary Session added R.S. 47:6006.1 to provide for a refundable tax credit against income and corporation franchise taxes for ad valorem taxes paid on vessels in Outer Continental Shelf Lands Act Waters. Also, Act 28 of the 1994 Regular Session amended R.S. 47:6006 to provide that this credit is not allowed for ad valorem taxes that have been collected from the persons to whom the inventory has been sold. The purpose of this credit is to provide a tax offset for inventory taxes paid to local authorities.

Legal Citation: R.S. 47:6006
R.S. 47:6006.1
Origin: Acts 1991, No. 153
Effective date: July 1, 1992

Beneficiaries: All corporations paying ad valorem taxes on inventory benefit from this credit, which will help to promote economic development.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-03	**FYE 6-04**
See note[5]	See note[5]

[5] The estimated fiscal effect of the inventory tax credit is shown in the listing of exemptions for corporation income tax and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

19. Property taxes paid by certain telephone companies

A credit is allowed for 40 percent of the total ad valorem taxes paid to Louisiana political subdivisions by telephone companies on their public service properties.

Statutory Citation: R.S. 47:6014
Origin: Acts 2000, No. 22
Effective Date: Tax years after December 31, 2000

Beneficiaries: Telephone companies in an amount equal to 40% of ad valorem taxes paid to political subdivisions for public service properties.

Administration: The purpose of the credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-03	**FYE 6-04**
See note[6]	See note[6]

[6] The estimated fiscal effect of the property taxes paid by certain telephone companies is shown in the listing of exemptions for corporation income tax and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

Other Credits

20. Credit for purchases from Prison Industry Enhancement Contractors

A tax credit is allowed for the state sales and use taxes paid on purchases 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.

Legal Citation: R.S. 47:6018
Origin: Acts 2002, No. 32
Effective Date: Tax becoming due after December 31, 2002

Beneficiaries: Private Sector Prison Industry Enhancement contractor.

Administration: The purpose of this credit is achieved in a fiscally effective manner

Estimated Fiscal Effect:

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
See note[7]	See note[7]

[7] The estimated fiscal effect of the credit for purchases from prison industry enhancement contractors is shown in the listing of exemptions for corporation income tax and includes the total revenue loss for individual income tax and corporation income and franchise taxes.

21. Low-income housing

A credit is allowed for providers of certain low-income housing. The credit is computed in accordance with the provisions of Section 42 of the 1986 Internal Revenue Code as modified by Act 972 of the 1990 Legislative Session. The purpose of this credit is to ensure the availability of low-income housing.

Legal Citation: R.S. 47:12
Origin: Acts 1990, No. 1033
Effective Date: July 1, 1990

Beneficiaries: Individuals who invest in low-income housing and tenants of low-income housing.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to separately estimate the fiscal effect for credits 20-48. The Department's tax data combines these credits on the tax return. The following estimates reflect the combined revenue loss of these credits:

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,939,500	$1,998,000

22. Louisiana capital companies tax credit

A credit is allowed to those persons, either natural or artificial, who invest in a certified Louisiana capital company. The purpose of this credit is to encourage investments in Louisiana capital companies.

Legal Citations: R.S. 51:1921-1931
Origin: Acts 1983, No. 642
Effective Date: July 20, 1983

Beneficiaries: Small business and minority-owned businesses needing an infusion of capital.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

23. Cash donations to the Dedicated Research Investment Fund

A credit is allowed to persons or corporations who donate $200,000 or more to the Dedicated Research Investment Fund. The purpose of this credit is to encourage donations to the Dedicated Research Investment Fund.

Legal Citation:	R.S. 51:2204
Origin:	Acts 1987, No. 300
Effective Date:	July 5, 1987

Beneficiaries: Qualifying research institutions.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

24. Employment of the previously unemployed

A credit is allowed for employment of each previously unemployed person in a qualified newly created full-time job. The credit is $750 for each qualified new job and employee and is allowed during the taxable period that the employee has completed one year of full-time service with the employer. The credit is in lieu of other job tax credits provided for in the law. The purpose of this credit is to encourage creation of new jobs, which will provide job opportunities for the unemployed.

Legal Citation:	R.S. 47:6004
Origin:	Acts 1989, No. 636
Effective Date:	Taxable periods beginning on or after July 1, 1990

Beneficiaries: Corporations who hire the previously unemployed in a newly created full-time job and the state as a whole benefits because these individuals are now employed and productive.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

25. Alternative-fuel usage

A credit is allowed for converting vehicles to certain alternative fuel usage or for the purchase of vehicles that use certain alternative fuels. The amount of the credit is 20 percent of the cost of qualified clean-burning motor vehicle fuel property. If the vehicle is purchased with the property installed by the manufacturer, then the tax credit is the lesser of 20 percent of 10 percent of the cost of the motor vehicle or $1,500. The purpose of this credit is to encourage the use of alternative fuels.

Legal Citation: R.S. 47:38
Origin: Acts 1991, No. 1060
Effective Date: January 1, 1991

Beneficiaries: The general public benefits from this credit as the result of a cleaner environment.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

26. Small-town doctors

A credit is allowed for qualified doctors affiliated with a small-town hospital, for the lesser of the tax due or $5,000 per taxable year up to a maximum of five years. The purpose of this credit is to encourage doctors to locate in small towns.

Legal Citation: R.S. 47:297(H)
Origin: Acts 1991, No. 1059
Effective Date: January 1, 1991

Beneficiaries: Doctors who locate in small towns and the hospitals and residents/patients.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

27. Investment losses in certain film productions

This credit, which is only available to taxpayers domiciled in Louisiana, is for 50 to 67 percent of an investor's film production loss before July 1, 2002 or 10 to 15 percent of an investor's investment in a film production after July 1, 2002, depending on the level of investment.
A minimum investment in a "state-certified production" is required to qualify for the credit. The Louisiana Film and Video Commission and the Department of Economic Development must certify that the production is being produced by a motion picture production company domiciled and headquartered in the state and there is a distribution agreement with either a major theatrical exhibitor, television network, or cable television programmer. This certification is provided to the investors and the Department of Revenue.

This tax credit, which is available for tax periods beginning January 1, 1993, through December 31, 2006, is based on a percentage of the investor loss or the investment in the production as follows:

January 1, 1993 through June 30, 2002:
- Investments $2 million but less than $10 million—50 percent of loss.
- Investments $10 million but less than $25 million—60 percent of loss.
- Investments $25 million and more—67 percent of loss.

July 1, 2002 through December 31,2003:
- Investments $300 thousand but less than $1 million—10 percent of investment.
- Investments $1 million and more—15 percent of investment.

January 1, 2004 through December 31, 2006
- Investments $300,000 but less than $8 million – 10 percent of investment.
- Investments $8 million and more – 15 percent of investment

The purpose of this credit is to encourage film production in Louisiana

Legal Citation:	R.S. 47:6007
Origin:	Acts 1992, No. 894 Amended Acts 2002, 1st Ext. Sess, No. 6, Amended Acts 2003, No. 1240
Effective Date:	Taxable Periods beginning on or after January 1, 1993
Sunset Date:	December 31, 2006

Beneficiaries: Investors in state-certified motion picture productions

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See Number 6, Motion Picture Incentive, Tax Exemption Contract Section.

28. Louisiana basic-skills training

Corporations are allowed a credit of $250 per qualified employee who participates in a basic-skills training program at an accredited school. The credit cannot exceed $30,000 for any single business in a particular year. Basic-skills training means any employer-paid training for qualified employees that enhances the employees' reading, writing, or mathematical skills to at least a twelfth-grade level. The purpose of this credit is to encourage corporations to provide basic-skills training, which will result in a more educated work force.

Legal Citation:	R.S. 47:6009
Origin:	Acts 1992, No. 1098
Effective Date:	July 1, 1993

Beneficiaries: Individuals benefit from this credit by enabling them to bring their reading, writing, and mathematical skills to at least a twelfth-grade level. A better educated employee will be an asset to employers and the state.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

29. Gasoline and special fuels taxes

A credit is allowed for gasoline and special fuels taxes paid for operating or propelling any commercial fishing boat, if a refund of the taxes has not been received pursuant to R.S. 47:802.2 and R.S. 47:1681. The purpose of this credit is to allow taxpayers additional time to obtain a refund of the taxes since under R.S. 47:802.2 and R.S. 47:1681 the refund application period is only six months.

Legal Citation:	R.S. 47:297(C)
Origin:	Act 1993, No. 164
Effective Date:	For taxable years beginning after December 31, 1992

Beneficiaries: Licensed commercial fishermen.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible since most taxpayers receive the credit under R.S. 47:802.2 and R.S. 47:1681. See number 21.

30. Educational expenses incurred for degree related to law enforcement

A credit is allowed certain law enforcement officers and employees of the Department of Public Safety and Corrections for certain educational expenses incurred in pursuit of an undergraduate degree related to law enforcement. The amount of credit allowed in a tax year is equal to the lesser of the tax due, the amount of the qualifying educational expenses, or $750.

Legal Citation:	R.S. 47:297(J)
Origin:	Acts 1994, No. 23
Effective Date:	Taxable periods beginning on or after January 1, 1995

Beneficiaries: Employees and law enforcement officers pursuing such a degree.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

31. Employment of certain first-time drug offenders

A credit of $200 per employee per year for a maximum of two years is allowed for employing certain first-time drug offenders. The offender must have successfully completed a court-ordered drug treatment rehabilitation program, be less than 25 years old at the time of initial employment, and have worked 180 full days. The purpose of this credit is to encourage employment to first-time drug offenders who complete a drug rehabilitation program.

Legal Citations:	R.S. 47:287.34 R.S. 47:287.752 R.S. 47:297(K)
Origin:	Acts 1994, No. 104
Effective Date:	Taxable periods beginning on or after January 1, 1994

Beneficiaries: First-time drug offenders who are employed by businesses that receive the credit and the companies and individuals who employ them.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

32. Bone-marrow donor expenses

A credit is allowed for bone-marrow donor expenses incurred by an employer. The amount of the credit is 25 percent of certain expenses paid or incurred during the tax year by an employer to provide a program for employees who are potential or who actually become bone-marrow donors. The purpose of this credit is to encourage bone-marrow donation.

Legal Citation: R.S. 47:297(I)
Origin: Acts 1992, No. 206
Effective Date: August 21, 1992

Beneficiaries: Individuals who may need a bone-marrow transplant.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

33. Purchase of bulletproof vest

A credit for the purchase of bulletproof vest by qualified law enforcement officers and certain employees of the Department of Public Safety and Corrections is allowed. The credit allowed is for the purchase price of the vest or $100.00 whichever is less. Only one credit is allowed for the five-year period beginning with the purchase of the vest.

Legal Citation: R.S. 47:297(L)
Origin: Acts 1998, No. 20
Effective date: Taxable periods beginning after December 31,1997

Beneficiaries: Law enforcement officers and certain employees of the Department of Public Safety and Corrections benefit from this credit.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

34. Donations to assist qualified playgrounds

A credit is allowed for donations to assist qualified playgrounds in certain economically depressed areas. The credit shall be an amount equal to the lesser of $1,000 or 1/2 of the value of the donation. The purpose of this credit is to encourage donations to qualified playgrounds.

Legal Citation:	R.S. 47:6008
Origin:	Acts 1992, No. 898
Effective Date:	Tax periods beginning after December 31, 1992

Beneficiaries: The people living in economically depressed areas benefit from this credit by an improved quality of life.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

35. Employment-related expense for maintaining household for certain disabled dependents

A credit is allowed for persons maintaining a household that includes dependents who are physically or mentally disabled. The credit is equal to the applicable percentage of employment related expense allowable pursuant to Section 21 of the Internal Revenue Code. Unused credits are carried forward. The purpose of this credit is to provide some relief to taxpayers who incur such extraordinary expenses.

Legal Citation:	R.S. 47:297.2
Origin:	Acts 1996, No. 27
Effective Date:	Taxable periods beginning after December 31, 1996

Beneficiaries: Individuals who qualify for credit benefit from this credit.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

36. Family responsibility

A credit is allowed for 33.33 percent of the amount a taxpayer contributed in a program of voluntary family responsibility developed and implemented by the Department of Health and Human Resources. The credit is limited to $200 per year. The purpose of this credit is to encourage individuals to donate money to the Family Responsibility Program.

Legal Citations:	R.S. 47:297(F) R.S. 46:449
Origin:	Acts 1983, No. 672
Effective Date:	Taxable periods beginning after December 31, 1982

Beneficiaries: Persons receiving intermediate or skilled nursing care in the state with insufficient income and resources to meet the costs of the care.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

37. Employment in a qualified motion picture production

A credit is allowed for qualified motion picture production companies for employment of Louisiana residents in the production of a qualified motion picture. The credit allowed is 10 percent of the total payroll for residents employed in the production if the total qualified payroll is $300,000 or more during the taxable year or 20 percent if the total qualified payroll is $1 million or more during the taxable year.

Legal Citation:	R.S. 47:1125.1
Origin:	Acts 2002, 1st Ex Session, No. 6
Effective date:	July 1, 2002
Sunset date:	June 30, 2006

Beneficiaries: Qualified production companies and Louisiana residents employed by such companies.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See #6, Motion Picture Incentive, Tax Exemption Contract Section.

38. Purchase of qualified recycling equipment

A credit is allowed for the purchase of qualified recycling equipment. The purchase must be made between September 1, 1991 and December 31, 2000. The amount of the tax credit is computed at 20 percent of the cost of the equipment less other tax credits received for the purchase of the equipment. The net credit is limited to 50 percent of the income tax liability. The purpose of this credit is to encourage the purchase and use of certain recycling equipment.

Legal Citation:	R.S. 47:6005
Origin:	Acts 1991, Nos. 359 and 1052
Effective Date:	Taxable periods beginning on or after January 1, 1991
Sunset Date:	December 31, 2000 However, unused credits may be carried forward until credit is exhausted or the equipment is sold.

Beneficiaries: The general public benefits from this credit as the result of a cleaner environment.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

39. Alcohol and other substance abuse programs for employees

A credit is allowed of five percent of the qualified treatment expenses for alcohol and substance abuse paid or incurred by an employer on behalf of his employees in connection with an alcohol and substance abuse program. No deduction is allowed in computing taxable income for expenses that are taken into account in determining the amount of such credit or for drug testing. The purpose of this credit is to promote a drug-free work environment, which should increase safety and productivity.

Legal Citation:	R.S. 47:6010
Origin:	Acts 1994, No. 33
Effective Date:	Taxable years beginning on or after January 1, 1994

Beneficiaries: Individuals who take advantage of such company funded programs and the companies that provide the programs and receive the benefits of a drug-free work force.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

40. Donations of property to certain offices and agencies

A credit is allowed for 50 percent of the value of historical property donated to the Old State Capitol, the State Capitol Complex, and the State Archives. The amount of the credit in any year is limited to 50 percent of the donor's tax liability. Unused credits may be carried over to subsequent years. The maximum amount of credit that may be granted in the aggregate in any single year is $70,000. The purpose of this credit is to encourage donations to certain state agencies property with historical value. This serves to preserve such property for future generations.

Legal Citation:	R. S. 47:6011
Origin:	Acts 1996, No. 10
Effective Date:	August 1, 1996
Sunset Date:	June 30, 2000 However, unused credits may be carried forward until the full credit has been used.

Beneficiaries: Individuals who make such donations.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

41. Donations of material, equipment, or instructors made to certain training providers

A credit is allowed for donations of materials, equipment, or instructors made to training providers vocational/technical schools, apprenticeship programs registered with the Louisiana Department of Labor, or community colleges within the state. The credit is for one-half the value of the materials, equipment, or services donated. The tax credit when combined with other tax credits cannot exceed 20 percent of the employer's tax liability for any taxable year.

Legal Citation:	R.S. 47:6012
Origin:	Acts 1998, No. 30. Amended By Acts 2002, No.11
Effective date:	June 24, 1998
Sunset date:	December 31, 2000

Reestablished: August 15, 2002 for taxable periods beginning after December 31, 2002.

Beneficiaries: Individuals who take the tax credit and the citizens of the state that benefit from better equipped training facilities.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

42. Credit for Rehabilitation of Historic Structures

A tax credit is allowed for the eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development district. The credit is 25 percent of the cost and expenses up to $250,000 per structure.

This credit is effective for the period July 1, 2002, through December 31, 2004.

Legal Citation:	R.S. 47:6019
Origin:	Acts 2002, No. 60
Effective Date:	Effective for the period July 1, 2002 through December 31, 2004
Sunset Date:	December 31, 2004; However, there is a five-year carryforward of unused credits.

Beneficiaries: Individuals or businesses rehabilitating a qualified historic structure.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

43. New Markets Credit

A tax credit is allowed for investments in qualified low-income community development entities (CDEs). The total tax credits that may be allowed for all taxpayers during any taxable year cannot exceed $5 million. Before claiming the tax credit, investors must make application to the Department and the credits will be allocated on a first-come, first-served basis.

Investors are eligible for the tax credit if the Community Development Entity (CDE) has made qualified low-income community investments and no more than 25 percent of their investments in low-income communities are in the form of loans. Also, qualified low-income community investments cannot consist of investments secured by any state or federal governmental entity.

This credit is effective for tax years beginning on or after September 1, 2002 and is null and void on August 31, 2006.

Unused credits can be carried over to succeeding years until used.

Legal Citation:	R.S. 47:6016
Origin:	Acts 2002, No. 66
Effective Date:	For tax years beginning on or after September 1, 2002
Sunset Date:	August 31, 2006

Beneficiaries: Private sector capital investors investing in certain low-income community investments.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

44. Atchafalaya Trace Heritage Area Development Zone Tax Exemption

The Board of Commerce and Industry, after receiving approval from the review board consisting of the secretaries of the Department of Revenue and Culture, Recreation and Tourism, chairmen of the Atchafalaya Trace Heritage Area Commission, House Committee on Ways and Means, and Senate Revenue and Fiscal Affairs Committee and the executive director of the Atchafalaya Trace Commission, with the approval of the governor, may enter into contracts with heritage-based cottage industry concerns located in the development zone to grant tax credits to promote economic development and the creation of new jobs.

The credits that may be granted are:

- a $750 credit for the business, and
- a $750 credit for each new development zone resident employee.

  The tax credit contract is for five years. The development zone covers the 13 parishes of St. Mary, Iberia, St. Martin, St. Landry, Avoyelles, Pointe Coupee, Iberville, Assumption, Terrebonne, Lafayette, West Baton Rouge, Concordia, and East Baton Rouge.

Legal Citation:	R.S. 25:1226.4
Origin:	Acts 2002, 1st Ex. Session, No. 112
Effective Date:	January 1, 2003
Sunset Date:	No new applications to receive tax exemptions or credits will be accepted on or after January 1, 2007

Beneficiaries: Heritage-based cottage industry located in the development zone.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

45. Research and Development Credit

The Department of Economic Development (DED) may approve a credit to qualifying taxpayers in an amount equal to eight percent of the state's apportioned share of the taxpayer's expenditures for increasing research activities, or 25 percent of the state's apportioned share of eligible expenditures if the taxpayer claims the alternative incremental tax credit pursuant to 26 U.S.C.A. §41. DED may also approve an additional one-time credit to taxpayers who receive Small Business Innovation Research Grants for eight percent of the award.

The credit is phased-in as follows:

- 25 percent of the credit is allowed for the period January 1, 2003 through December 31, 2003,
- 50 percent of the credit is allowed for the period January 1, 2004 through December 31, 2004,
- 75 percent of the credit is allowed for the period January 1, 2005 through December 31, 2005,
- 100 percent of the credit is allowed for the period beginning after December 31, 2005.

  This credit is effective for income tax years beginning after December 31, 2002 and franchise tax years beginning after December 31, 2003

Legal Citation:	R.S. 47:6015
Origin:	Acts 2002, 1st. Ex. Session, No. 9
Effective Date:	For Income tax years beginning after December 31, 2002 and Franchise Tax years beginning after December 31, 2003.

Beneficiaries: Qualifying Taxpayers increasing research activities in Louisiana

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

46. Technology Commercialization Credit

This credit, which is administered by the Department of Economic Development, is 15 percent of the investment in machinery and equipment and all expenditures associated with obtaining the rights to use or the use of technology, including fees related to patents, copyrights, and licenses. To qualify for the credit, an individual or business must invest in the commercialization of Louisiana technology in Louisiana.

This credit is effective for income tax years beginning after December 31, 2002, and franchise tax years beginning after December 31, 2003.

Legal Citation:	R.S. 51:2354
Origin:	Acts 2002, 1st Ex. Session, No. 8
Effective Date:	Income Tax years beginning after December 31, 2002, and Franchise Tax years beginning after December 31, 2003.
Sunset Date:	December 31, 2006, however, there is a 20-year carryforward of unused credit.

Beneficiaries: Qualifying individuals or businesses that invest in the commercialization of Louisiana technology

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

47. Credit for Certain Child Care Expenses

Taxpayers are allowed a credit for a percentage of the federal child and dependent care credit taken on a resident's federal income tax return. If a federal credit was not taken because of the alternative minimum tax, then no state credit is allowed because the Louisiana credit is based on the credits taken on the federal return.

The state child care tax credit is allowed as follows:

Federal Adjusted Gross Income	Percent of Federal Credit
$25,000 or less	50%
$25,001 to $35,000	30%
$35,001 to $60,000	10%
Over $60,000	Lesser of $25 or 10%

Legal Citation:	R.S. 47:297.4
Origin:	Acts 2002, No. 25
Effective Date:	Taxable periods beginning on or after January 1, 2003

Beneficiaries: Individual Taxpayers who are claiming a child and dependent care credit on their federal income tax return.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Impact: See number 21.

48. Credit for Debt Issuance Costs

An economic development corporation is allowed a credit equal to the filing fee paid to the Louisiana Bond Commission for the preparation and issuance of bonds.

The credit shall be taken as a credit against the applicable tax or taxes in the taxable period in which the expenses were incurred, not to exceed the total tax liability for that taxable year.

Legal Citation:	R.S. 47:6017
Origin:	Acts 2002, No. 78
Effective Date:	June 25, 2002

Beneficiaries: Economic development corporations

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 21.

49. Long-Term Care Insurance Premiums Credit

An individual who purchases a federally qualifying long-term care insurance policy is allowed a tax credit for 10 percent of the total amount of premiums paid annually. Taxpayers applying for the credit must complete a form prescribed by the department.

For the premiums to qualify for the credit, the long-term care insurance policy must:

- be approved by the commissioner of insurance for sale in Louisiana.
- comply with the requirements of Part VI of Chapter 1 of Title 22 of the Louisiana Revised Statutes of 1950.
- qualify for the federal credit as a long-term care insurance contract as defined in Section 7702(B)(6) of the Internal Revenue Code of 1986.

Legal Citation:	R.S. 47:297(M)
Origin:	Acts 2002, No. 54
Effective Date:	The credit becomes effective if and when the legislature enacts a special fund to finance the credit.

Beneficiaries: Individuals who purchase a federally qualifying long-term care insurance policy.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-03	**FYE 6-04**
Not in effect	Not in effect

Exemption also required by the state constitution

50. Federal income tax deduction

A deduction is allowed for federal income tax on income that Louisiana income tax is paid. The purpose of this deduction is to shelter from taxation the portion of a taxpayer's income that represents federal income taxes paid.

Legal Citations:	La. Const., art. VII, Part I, § 4(A) (West 2001) R.S.47:293(5) R.S.47:293(6)
Origin:	Constitution
Effective Date:	1974

Beneficiaries: All individual taxpayers who file a tax return and have paid federal income tax.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$412,635,000	$425,000,000

Inheritance Tax Exemptions

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Inheritance Tax

Introduction

Louisiana became the second state to adopt a death duty in 1828 when Act 95 was enacted imposing an inheritance tax. Acts 1921, No. 127, authorized by the 1921 Louisiana Constitution (now Article 7, Section 4, of the 1974 Constitution) provides for graduated, classified or progressive taxes on inheritances, legacies, and gifts made in contemplation of death subject to certain limits and exemptions. Exemptions are provided for under R.S. 47:2402 and exclusions are found under R.S. 47:2404(C).

The Department of Revenue assumed responsibility for the administration and collection of the tax on January 1, 1974. Prior to that time, inheritance taxes were administered and collected locally. In each parish, except Orleans, the Sheriff was designated as the ex-officio inheritance tax collector for the State and an attorney was appointed to assist him. In Orleans Parish, the Clerk of Court was the inheritance tax collector.

Acts 1982, No. 874 provided for the annual increase in the value of the inheritance, legacy, donation, or gift made in contemplation of death to direct descendants by blood or affinity, ascendants, or surviving spouse for deaths that would be exempt from taxation. By 1987, the value to be excluded from taxation for direct descendants by blood or affinity, ascendants or surviving spouse was $25,000. Act 874 also provided that for deaths occurring during calendar year 1992 and thereafter, the total amount or value of the inheritance, legacy, donation or gift in contemplation of death to a surviving spouse was exempt from taxation.

Acts 1997, No. 818 provided for the phase out the inheritance tax over seven years.

Legal Citations

R.S. 47:2401 through 47:2425

Tax Base

The tax base for Louisiana inheritance tax consists of all property of every nature and kind included or embraced in every inheritance, legacy, or donation or gift made in contemplation of death. With regard to residents, the tax base includes all immovable property located within Louisiana and all movable property, tangible or intangible, wherever situated. With regard to nonresidents, the tax base includes immovable property located within Louisiana and only tangible movable property domiciled in Louisiana.

Tax Rates

The tax rates are graduated and progressive based upon the relationship of heirs and legatees to the decedent. The classifications of heirs and legatees and the respective tax rates are as follows:

Classification of Heirs/Legatees

Direct descendants by blood or affinity, ascendants, or surviving spouse

> **Tax Rate:** 2 percent of the actual value of the first $20,000 taxable, plus 3 percent of the actual value in excess of $20,000

Collaterals (including brothers or sisters by affinity and their descendants)

> **Tax Rate:** 5 percent of the actual value on the first $20,000 taxable, plus 7 percent of the actual value in excess of $20,000

Strangers or nonrelated persons

> **Tax Rate:** 5 percent of the actual value of the first $5,000 taxable, plus 10 percent of the actual value in excess of $5,000

Effective July 1, 1998, Acts 1997, No. 818, provided for the tax rates to be reduced as follows:

1. for deaths occurring after June 30, 1998, and before July 1, 2001, the tax rates are reduced by 18 percent;
2. for deaths occurring after June 30, 2001, and before July 1, 2002, the tax rates are reduced by 40 percent;
3. for deaths occurring after June 30, 2002, and before July 1, 2003, the tax rates are reduced by 60 percent;
4. for deaths occurring after June 30, 2003, the tax rates are reduced by 80 percent; and,
5. for deaths occurring after June 30, 2004, no tax shall be levied when a judgment of possession is rendered or when a succession is judicially opened no later than the last day of the ninth month following the death of a decedent.

Types of Tax Exemptions

The Louisiana inheritance tax law provides for tax exemptions under R.S. 47:2402 and exclusions under R.S. 47:2404(C). Exemptions are those amounts or values of an inheritance, legacy, donation, or gift made in contemplation of death that would be included in the tax base, but have been specifically exempted from the tax. Exclusions are items of property that have been excluded from the tax base.

Significant Changes Fiscal Year 2002-2003

There were no significant changes to the inheritance tax laws during the past year.

Exemptions

1. Direct descendants by blood or affinity, ascendants, or surviving spouses (prior to 1992) of decedent

This exemption allows descendants by blood or affinity, ascendants, or surviving spouses (for death's prior to 1992) of a decedent to inherit an initial amount tax exempt. Based upon the time of death, the exemption is as follows:

Deaths in Calendar Year	
1983 and prior years	$5,000 each
1984	$10,000 each
1985	$15,000 each
1986	$20,000 each
1987 and thereafter	$25,000 each

The purpose of this exemption is to exempt the initial amount inherited.

Legal Citation: R.S. 47:2402(1)
Origin: Acts 1982, No. 874
Effective Date: January 1, 1984

Beneficiaries: Direct descendants by blood or affinity, ascendants, and surviving spouses of decedents.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$3,400,000	$680,000

2. Surviving spouse

This exemption allows the surviving spouse of a decedent who dies in 1992 or thereafter to inherit an unlimited amount tax free. Although the exemption was passed in 1987, it did not become effective until 1992. The purpose of this exemption is to provide a total exemption for the property inherited by the surviving spouse of the deceased.

Legal Citation: R.S. 47:2402(1)(e)
Origin: Acts 1987, No. 236
Effective Date: January 1, 1992

Beneficiaries: Surviving spouses of decedents.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$906,000	$181,200

3. $1,000 exemption for collateral relations (including brothers or sisters by affinity and their descendants)

This exemption allows collateral relations (i.e. brothers or sisters) of a descendant (including brothers-in-law or sisters-in-law and their descendants) to inherit up to $1,000 tax free. The purpose of this exemption is to exempt the first $1,000 inherited by collateral relations.

Legal Citation: R.S. 47:2402(2)
Origin: Acts 1921, Ex. Sess., No. 127
Effective Date: November 19, 1921

Beneficiaries: Collateral relations of decedents.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$530,000	$106,000

4. Strangers or nonrelated persons; $500 exemption

This exemption allows persons and certain entities not related to a decedent to inherit up to $500 tax free. The purpose of this exemption is to exempt the first $500 inherited by strangers or nonrelated persons.

Legal Citation: R.S. 47:2402(3)
Origin: Acts 1921, Ex. Sess., No. 127
Effective Date: November 19, 1921

Beneficiaries: Any nonrelated legatees of a decedent.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$85,500	$17,000

5. Bequests to charitable, religious, or educational institutions in Louisiana

This exemption allows legacies and donations to charitable, religious, and educational institutions located in Louisiana to be exempt from inheritance tax. The purpose of this exemption is to exempt all bequests to charitable, religious, or educational institutions located in Louisiana.

Legal Citation: R.S. 47:2402(4)
Origin: Acts 1921, Ex. Sess., No. 127
Effective Date: November 19, 1921

Beneficiaries: Any charitable, religious, or educational institutions that are legatees of a decedent.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$900,000	$180,000

6. Bequests to the state, incorporated municipalities, or political subdivisions for exclusive public use

This exemption allows legacies and donations to the state of Louisiana, incorporated municipalities, or political subdivisions to be exempt from tax. The purpose of this exemption is to exempt all bequests, for exclusive public use, to the state of Louisiana, incorporated municipalities, or any political subdivision thereof.

Legal Citation: R.S. 47:2402(5)
Origin: Acts 1972, No. 543
Effective Date: July 12, 1972

Beneficiaries: The state of Louisiana, any incorporated municipality, or other political subdivision named as a legatee of a decedent.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$240,000	$48,000

7. Bequests to out-of-state charitable, religious, or educational institutions

This exemption allows charitable, religious, or educational institutions located in other states or territories of the United States to receive unlimited legacies and donations tax free provided reciprocity exists between the state of Louisiana and the other state or territory. The purpose of this exemption is to exempt all bequests to qualifying institutions located outside of Louisiana if the state or territory where the institution is located has a reciprocal provision applicable to Louisiana bequests.

Legal Citation: R.S. 47:2402(6)
Origin: Acts 1974, No. 190
Effective Date: July 12, 1974

Beneficiaries: Any charitable, religious, or educational institution located in other states or territories of the United States named as legatees of a decedent.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$58,800	$11,760

Exclusions

8. Proceeds of life insurance paid to named beneficiaries

This exclusion allows the proceeds of life insurance payable to a named beneficiary, other than the estate of a decedent, to be excluded from the tax base. The purpose of the exclusion is to exempt the total proceeds of life insurance policies made payable to a named beneficiary.

Legal Citation: R.S. 47:2404(C)
Origin: Acts 1968, No. 352
Effective Date: July 18, 1968

Beneficiaries: Persons, other than the estate, receiving the proceeds of life insurance.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$6,588,000	$1,317,600

9. Qualified retirement or pension plans

This exclusion allows the proceeds of a retirement or pension plan payable to a named beneficiary, other than the estate of the decedent, to be excluded from the tax base, provided the plan is qualified under Sections 401 or 408 of the Internal Revenue Code. The purpose of the exclusion is to exempt bona fide pension plans.

Legal Citation:	R.S. 47:2404(C)
Origin:	Acts 1968, No. 352 Amended by Acts 1992, No. 171
Effective Date:	July 18, 1968 Amended June 8, 1992

Beneficiaries: Persons, other than the estate, receiving the proceeds of a qualified retirement or pension plan.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: No data; no reporting requirement.

Liquors-Alcoholic Beverage Tax Exemptions

Liquors-Alcoholic Beverage Tax Index of Exemptions

Liquors-Alcoholic Beverage Taxes

Introduction

The alcoholic beverage tax law encompasses taxation on two categories of alcoholic beverages: (a) beverages of low-alcoholic content that are defined as alcoholic beverages containing not more than six percent alcohol by volume, and (b) beverages of high-alcoholic content that are defined as alcoholic beverages containing more than six percent alcohol by volume. An alcoholic beverage tax of $1 per 31 gallon barrel was first imposed on malt beverages, which included beer, port, ale, and fruit-juice wines, by Act 2 of the Extraordinary Session of 1933. Act 15 of the 1934 Regular Session imposed a tax on liquor at 50¢ per wine gallon, on sparkling wines at 50¢ per wine gallon, on still wines of less than 14 percent by volume at 5¢ per wine gallon, on still wines of between 14 percent and 24 percent by volume at 10¢ per wine gallon, and on beer at $1.50 per 31-gallon barrel. Tax stamps were used to indicate that the appropriate taxes had been paid. A discount of five percent of the face value of the stamps purchased in lots of $100 or more was allowed to dealers.

While the provisions related to the tax stamps were repealed in 1964, the tax rates were increased numerous times during the intervening years. Increases occured in 1935, 1938, 1940, 1942, 1944, 1948, 1956, 1970, and lastly, in 1978, when Act 441 established the current tax rates.

The Louisiana Native Wine Law was enacted by Act 736 of the 1990 Regular Legislative Session. Rates for native wines were set the same as rates for other wines.

The alcoholic beverage taxes are collected from the first handlers in Louisiana, usually bonded wholesale dealers. The bond required, for tax purposes, of manufacturers or wholesalers of alcoholic beverages is a minimum of $10,000 for each type of permit held. The bond for manufacturers or wholesalers of native wines is $5,000.

During the 1998 Regular Legislative Session, Act 71 established provisions by which sparkling wine or still wine could be sold and shipped directly to consumers in Louisiana by a manufacturer or retailer of such beverage domiciled outside of Louisiana. Included in the statutory requirements were that, in order to be shipped into Louisiana, the applicable Louisiana taxes must be paid in full, the consumer to whom shipped must be twenty-one years of age or older, and that the wine was purchased for the consumer's personal consumption.

Legal Citations

R.S. 26:341 through 26:423

Tax Base

Quantity of beverage handled

Tax Rate

1. Liquors: 66¢ per liter
2. Sparkling wines: 42¢ per liter
3. Still wines:
   a. Alcohol content, 14% or less: 3¢ per liter
   b. Alcohol content, 14 to 24%: 6¢ per liter
   c. Alcohol content, 24% or above: 42¢ per liter
4. Native wines:
   a. Alcohol content, 14% or less: 3¢ per liter
   b. Alcohol content, 14 to 24%: 6¢ per liter
5. Beer, malt beverages: $10 per barrel

Types of Tax Exemptions

For alcoholic beverage tax purposes, tax exemptions are exemptions, refund/credits, and discounts. Exemptions are items that were included in the tax base, but have been specifically exempted. Refund/credits are items that taxes were paid on initially, but the taxpayer has a right to request a refund or a credit. Discounts are a proportionate deduction from the gross amount reported. The tax exemptions for beer have been separated from those for liquor and wine.

There are several statutory tax exemptions that are also prohibited from taxation by federal laws. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

Significant Changes Fiscal Year 2002-2003

There were no significant changes to the alcoholic beverage tax during the past year.

Beer tax discount

1. Discount of two percent

A discount of two percent of the tax due is allowed for accurately reporting and timely remitting the taxes due. The purpose of this discount is to compensate the dealer for expenses incurred in accounting for the tax.

Legal Citation: R.S. 26:345
Origin: Acts 1972, No. 537; Amended by Acts 2002, No. 14
Effective Date: July 26, 1972; July 1, 2002

Beneficiaries: Registered wholesalers who accurately and timely remit the tax reports.

Administration: The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$455,000	$455,000

Beer, liquor and wine tax refund/ credit

2. Products returned to manufacturer or destroyed by a dealer

A tax refund or credit is allowed for alcoholic beverages that are returned to a manufacturer or destroyed by the dealer either damaged or unfit for sale. The purpose of this provision is to give dealers credit for taxes paid on products returned as unsaleable.

Legal Citation:	R.S. 26:347
Origin:	Acts 1934, No. 15; Amneded by Acts 2002, No. 14
Effective Date:	August 1, 1934; Amended July 1, 2002

Beneficiaries: Licensed dealers of alcoholic beverages of low and high alcohol content.

Administration: The purpose of the refund/ credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible; less than $10,000.

Liquor and wine tax exemptions

3. Antiseptic, scientific, religious, and chemical uses

Liquor and wine that is not for consumption as an alcoholic beverage is exempt from the tax. The purpose of this exemption is to allow the tax-free sales of alcoholic products used in antiseptic preparations, chemical products, scientific products, and for religious purposes.

Legal Citation:	R.S. 26:421
Origin:	Acts 1934, No. 15
Effective Date:	August 1, 1934

Beneficiaries: Religious organizations, pharmaceutical or chemical companies, and consumers of end products.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no reporting requirement.

4. Free samples of native wine

This provision allows native wines dispensed as complimentary samples to be free of taxation. The free samples must be dispensed in quantities of not more than six ounces in the tasting room of a native winery to qualify for the exemption. The purpose of this exemption is to allow complimentary samples to be dispensed free of tax.

Legal Citation: R.S. 26:341(5)
Origin: Acts 1990, No. 736
Effective Date: September 7, 1990

Beneficiaries: Native wineries with the proper permits benefit from this exemption. Currently only one winery is in production.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no reporting requirement at present.

Liquor and wine tax discount

5. Discount of 3.33 percent

A dealer is allowed a discount of 3.33 percent of the tax due for accurately reporting and timely filing their excise taxes return together with the full tax amounts due to the Department. The purpose of this discount is to encourage compliance.

Legal Citation: R.S. 26:354(D)
Origin: Acts 1972, No. 537
Effective Date: July 26, 1972

Beneficiaries: Licensed wholesalers who accurately and timely remit the tax reports.

Administration: The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$560,000	$560,000

Federally imposed exemptions

Beer tax exemptions

6. Interstate shipments

Beer that is exported beyond the borders of Louisiana is not subject to excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: R.S. 26:366(B)
Origin: Acts 1933, Ex. Sess., No. 2
Effective Date: April 13, 1933

Beneficiaries: Dealers who export products in interstate commerce.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$50,000	$50,000

7. Sales to federal government and its agencies

Sales of alcoholic beverages to the U.S. Government or any of its agencies may be exempt from the excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: R.S. 26:422
Origin: Acts 1933, Ex. Sess., No. 2
Effective Date: April 13, 1933

Beneficiaries: The U.S. Government and its agencies.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$130,000	$130,000

8. Sales to ships engaged in interstate or foreign commerce

Sales of alcoholic beverages to ships whose destination is beyond the borders of the state are exempt from excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: R.S. 26:366(B)
Origin: Acts 1933, Ex. Sess., No. 2
Effective Date: April 13, 1933

Beneficiaries: Dealers who sell for export in interstate commerce.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$30,000	$30,000

Liquor and wine tax exemptions

9. Interstate shipments of alcoholic beverages

Alcoholic beverages exported beyond the border of Louisiana are not subject to any alcoholic beverage excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: R.S. 26:366(A)
Origin: Acts 1934, No. 15
Effective Date: August 1, 1934

Beneficiaries: Licensed dealers who export products in interstate commerce.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$5,400,000	$5,400,000

10. Foreign consul and foreign commerce

All sales of alcoholic beverages to a foreign consulate or country are exempt from alcoholic beverage excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: R.S. 26:366
Origin: Acts 1934, No. 15
Effective Date: August 1, 1934

Beneficiaries: Foreign nations and their consulates.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible; less than $10,000.

11. Sales to the federal government and its agencies

Sales of alcoholic beverages to the U.S. Government or any of its agencies are not subject to the excise taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: R.S. 26:422
Origin: Acts 1934, No. 15
Effective Date: August 1, 1934

Beneficiaries: The U.S. Government and its agencies.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$125,000	$125,000

Natural Resources Severance Tax Exemptions

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Natural Resources - Severance Tax

Introduction

A severance tax is levied upon all natural resources severed from the soil or water, including all forms of timber, including pulp woods, and turpentine and other forest products; minerals such as oil, gas, natural gasoline, distillate, condensate, casinghead gasoline, sulphur, salt, coal, lignite, and ores; also marble, stone, gravel, sand, shells, and other natural deposits; and the salt content in brine.

Oil and gas collections account for almost 96 percent of all severance tax collections. Because of the significant revenues generated and the fact that only one minor exemption affects the other natural resources, the focus of this section is centered on the oil and gas taxes.

The first tax, based on the severance of oil and gas, was imposed in 1910. This tax was levied as an occupational license tax at a rate of 1/5¢ per 10,000 cubic feet or 10 mcf for gas, and 2/5¢ per barrel of oil.

Act 140 of 1922 carried into effect a 1921 constitutional authority for a severance tax. There have been many changes in the tax rates since 1910, including fluctuations from a volumetric to a percentage-of-value based tax. The changes are listed below in chronological order.

1910	Oil 2/5¢ per barrel; gas 1/5¢ per 10 MCF
1912	Oil and gas; 0.5% of gross value less royalty interest
1920	Oil and gas; 2% of gross value
1922	Oil and gas; 3% of gross market value
1928	Oil 4-11¢ per barrel depending on gravity; gas 1/5¢ per MCF
1936	Gas 3/10¢ per MCF
1940	Oil 6-11¢ per barrel depending on gravity; condensate 11¢ per barrel
1948	Oil 18-26¢ per barrel depending on gravity; condensate 20¢ per barrel
1958	Gas 2.3¢ per MCF
1972	Gas 3.3¢ per MCF
1974	Oil and condensate 12.5% of value; gas 7¢ per MCF
7/90	Gas 10¢ per MCF, indexed annually
7/91	Gas 9¢ per MCF
7/92	Gas 7¢ per MCF
7/93	Gas 7.5¢ per MCF
7/94	Gas 8.7¢ per MCF
7/95	Gas 7¢ per MCF
7/96	Gas 7.7¢ per MCF
7/97	Gas 10.1¢ per MCF
7/98	Gas 9.3¢ per MCF
7/99	Gas 7.8¢ per MCF
7/00	Gas 9.7¢ per MCF
7/01	Gas 19.9¢ per MCF
7/02	Gas 12.2¢ per MCF
7/03	Gas 17.1¢ per MCF

Tax Base

The tax is imposed upon severance of the oil and gas from the soil or water and is paid by the natural resource owners. The state of Louisiana has over 30,000 producing oil and gas wells.

Tax Rate

The capable tax rate for oil and condensate is 12.5 percent of value and accounts for over 98 percent of the oil and condensate tax collections. There is also an incapable rate and a stripper rate for low-producing oil wells. The capable rate for gas, presently 12.2¢ per MCF, is responsible for over 99%of total gas tax collections. There are also reduced tax rates for low-pressure oil-well gas and incapable gas-well gas. The current severance tax rates are:

Type .... Rate

Oil severance tax

Capable rate .... 12.5% of value
R.S.□47:633(7)(a)

Incapable rate .... 6.25% of value
R.S.□47:633(7)(b)

Stripper rate .... 3.125% of value
R.S.□47:633(7)(c)(i)

Condensate
severance tax .... 12.5% of value
R.S. 47:633(8)

Gas severance tax
Capable rate .... 19.9¢ per MCF
R.S. 47:633(9)(a)
R.S. 47:633(9)(d)(i)
Low pressure oil-well
gas rate .... 3¢ per MCF
R.S. 47:633(9)(b)
Incapable gas-well
gas rate .... 1.3¢ per MCF
R.S. 47:633(9)(c)

Types of Tax Exemptions

Severance tax exemptions for oil, gas, and minerals are in the form of exclusions, exemptions, special rates, deductions, and suspensions. Exclusions are by statute and refer to specific categories of natural gas upon which the tax shall not accrue. Exemptions and suspensions are also statutorily mandated and exempt or suspend the tax on oil or gas severed from wells that meet certain criteria. Special rates reduce the tax on natural resources severed from wells that qualify under specified criteria. Deductions are defined as a credit against or a reduction to the taxable base.

Significant Changes Fiscal Year 2002-2003

The gas severance rate increased from 12.2¢ to 17.1¢ per MCF on July 1, 2003, as a result of Act 387 of 1990. This Act set in place an indexing mechanism to annually adjust the gas severance tax rate.

During the 2003 Regular Legislative Session, Act 1 amended R.S. 47:633(9)(d)(i), (ii), and (iii), to change the source of price data used to annually adjust the severance tax rate on natural gas, natural gasoline, casinghead gasoline, and other natural gas liquids from the monthly average spot market price of gas fuels delivered into the pipelines in Louisiana as reported in the Natural Gas Clearing House to the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal effective with the 12-month period ending March 31, 2004. For the 12-month period ending March 31, 2003, the gas base rate adjustment numerator will be the average of the monthly average spot market price of gas fuels delivered into the pipelines into Louisiana as reported in the Natural Gas Clearing House for the months April 2002 through September 2002 and the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the months October 2002 through March 2003.

Natural gas exclusions

1. Injection

An exclusion is allowed for the injection of gas into producing reservoirs. The gas injected maintains reservoir pressure and enhances the recovery of hydrocarbons. This gas will eventually be reproduced and sold, and at that time the tax will be paid. This is really more of a deferred payment than an exclusion. The purpose of this exclusion is to promote secondary recovery and repressurization programs.

Legal Citation: R.S.□47:633(9)(e)(i)
Origin: Acts 1940, No. 145
Effective Date: 1940

Beneficiaries: Anyone in industry undertaking a repressurization or secondary recovery project.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$200,000	$200,000

2. Produced outside the state of Louisiana

An exclusion is allowed for gas produced outside the state and transported into Louisiana to be injected. The purpose of this exclusion is to clarify that natural gas severed outside the state is not taxable.

Legal Citation: R.S.□47:633(9)(e)(ii)
Origin: Acts 1960, No. 2
Effective Date: 1960

Beneficiaries: The volume of gas imported is too small to benefit anyone. The only activity is around the three-mile offshore boundary separating state and federal leases.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$35,000	$35,000

3. Flared or vented

An exclusion is allowed for gas flared or vented to the atmosphere. Gas is normally vented or flared when testing, waiting on sales line, or when produced in noncommercial quantities. The purpose of this exclusion is to provide financial relief to producers of natural and casinghead gas.

Legal Citations: R.S.□47:633(9)(e)(iii)
R.S. 47:633(9)(e)(vi)
Origin: Acts 1935, No. 24
Effective Date: 1935

Beneficiaries: All of industry.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$800,000	$800,000

4. Consumed in field operations

An exclusion is allowed for gas used or consumed for fuel in maintaining the operation of a field. This includes gas used for heating, separating, producing, dehydrating, compressing, and pumping oil and gas in the field where produced provided that the gas is not otherwise sold. The purpose of this exclusion is to provide financial assistance to qualifying producers.

Legal Citation: R.S.□47:633(9)(e)(iv)
Origin: Acts 1958, No. 2
Effective Date: 1958

Beneficiaries: All of industry.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$6,000,000	$6,000,000

5. Consumed in the production of natural resources in the state of Louisiana

An exclusion is allowed for gas consumed in the production of natural resources, other than oil and gas, in the state of Louisiana. The purpose of this exclusion is to provide financial assistance to qualifying producers.

Legal Citation: R.S. 47:633(9)(e)(v)
Origin: Acts 1974, No. 5
Effective Date: January 1, 1974

Beneficiaries: This exemption benefits those producers who use natural gas in the production of natural resources, other than oil or gas.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$50,000	$50,000

6. Used in the manufacture of carbon black

An exclusion is allowed for gas consumed in the manufacture of carbon black in plants. The producer and seller of the gas are allowed an exclusion from the severance tax that in turn lowers the sales price. The purpose of this exclusion is to provide financial assistance to carbon-black manufacturers.

Legal Citation: R.S. 47:633(9)(e)(vii)
Origin: Acts 1958, Ex. Sess., No. 2
Effective Date: 1958

Beneficiaries: Carbon-black companies operating in Louisiana.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$300,000	$300,000

Natural gas suspensions

7. Horizontal wells

Any well drilled or recompleted horizontally from which production commences after July 31, 1994, shall have all severance tax suspended for 24 months or until payout of the well is achieved, whichever comes first. Payout of well cost shall be the cost of completing the well to the start of production. The purpose of this tax suspension is to encourage the drilling of horizontal wells.

Legal Citation: R.S. 47:633(7)(c)(iii)
Origin: Acts 1994, No. 2
Effective Date: August 1, 1994

Beneficiaries: Any producer who successfully completes or recompletes a well horizontally.

Administration: The Department of Natural Resources determines the well cost payout and the Department of Revenue administers the tax suspension.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$1,000,000	$1,000,000

8. Inactive wells

Gas wells returned to service after being inactive for two or more years or having 30 days or less production for the past two years were allowed a severance tax exemption for five years. The June 30, 1996, deadline for applying for inactive status was extended to June 30, 1998, by Acts 1996, No. 16, and to June 30, 2000, by Acts 1998, No. 7. Acts 2002, No. 74 amended R.S. 47:633(7)(c)(iv) to reactivate the exemption effective for production beginning July 1, 2002, and ending June 30, 2006, and change the exemption period from five to two years.

Legal Citation: R.S. 47:633(7)(c)(iv)
Origin: Acts 1994, No. 2
Effective Date: August 1, 1994

Beneficiaries: Gas producers with older mature fields containing inactive wells.

Administration: The Department of Natural Resources certifies the well and the Department of Revenue administers the tax suspension.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$10,000,000	$10,000,000

9. Deep wells

The severance tax on gas wells drilled to a true vertical depth of more than 15,000 feet is suspended for a period of 24 months or until payout of the well cost, whichever occurs first. Production must start after July 31, 1994. The purpose of this tax suspension is to encourage gas operators to invest in the drilling of deep wells.

Legal Citation: R.S. 47:633(9)(d)(v)
Origin: Acts 1994, No. 2
Effective Date: August 1, 1994

Beneficiaries: Gas producers that successfully drill to a depth greater than 15,000 feet.

Administration: The purpose of the suspension is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$11,000,000	$11,000,000

10. New discovery wells

The severance tax on production from certified new natural gas discovery wells is suspended for a period of 24 months from the date of completion or until payout of the cost is recovered, whichever occurs first. The wells must be spudded after September 30, 1994, and completed before September 30, 1998. Act 7 of the 1998 Regular Legislative Session extended the completion deadline until September 30, 2000. The purpose of this tax suspension was to encourage exploration for new gas wells.

Legal Citation: R.S. 47:648.1 et seq.
Origin: Acts 1994, No. 2
Effective Date: October 1, 1994

Beneficiaries: Natural gas producers with new discovery wells.

Administration: The Department of Natural Resources certifies these wells and the Department of Revenue administers the program.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05***
$500,000	$0

*Since the new discovery well completion deadline was September 30, 2000, and the suspension was for 24 months from the date of completion, no additional revenue losses are expected.

Natural gas special rates

11. Incapable oil-well gas

Gas produced from an oil well that has been determined by the Secretary to have 50 pounds or less of wellhead pressure per square inch or producing by artificial methods, gas lift, or pumping, is eligible for a special reduced tax rate of 3¢ per MCF. The purpose of this special rate is to encourage continued production from low-pressure oil wells.

Legal Citation: R.S. 47:633(9)(b)
Origin: Acts 1958, Ex. Sess., No. 2
Effective Date: 1958

Beneficiaries: The intent of the reduced rate is to encourage small independent operators to continue production on low-producing wells. Major oil companies also benefit from this special reduced rate.

Administration: The purpose of this special rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$1,000,000	$1,000,000

12. Incapable gas-well gas

Gas produced from gas wells that are determined by the Secretary to be incapable of producing an average of 250,000 cubic feet of gas per day is eligible for a special reduced tax rate of 1.3¢ per MCF. The purpose of this special rate is to encourage the continued production from low-producing gas wells.

Legal Citation: R.S. 47:633(9)(c)
Origin: Acts 1958, Ex. Sess., No. 2
Effective Date: 1958

Beneficiaries: The intent of the reduced rate is to encourage small independent operators to continue production on low-producing wells. Major oil companies also benefit from this special reduced rate.

Administration: The purpose of this special rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$10,000,000	$10,000,000

13. Contract gas at less than 52¢ per MCF

Gas sold under a contract in existence prior to July 1, 1970, and sold at a rate of less than 52¢ per MCF was eligible for a special reduced tax rate of 7¢ per MCF provided that a copy of the contract is filed with the Secretary no later than 30 days after July 1, 1990. This reduced rate had not been claimed since June 1993, which indicates that there are no remaining qualifying contracts. Acts 2002, No. 12 repealed R.S. 47:633.1 effective June 7, 2002.

Legal Citation:	R.S. 47:633.1(C)
Origin:	Acts 1990, No. 387
Effective Date:	July 1, 1990
Repealed:	Acts 2002, No. 12
Effective:	June 7, 2002

Beneficiaries: Natural gas producers with qualifying contracts benefitted from this special rate in years when the tax rate exceeded 7¢.

Administration: The purpose of the special reduced rate was achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0.

Oil deduction

14. Trucking, barging, and pipeline fees

Oil and condensate are taxable at the higher of 12.5 percent of the gross receipts less charges for trucking, barging, and pipeline fees or the posted field price. The Department's regulation, LAC 61:I.2903, allows producers transporting through their own facilities a 25¢ per barrel deduction; those with third-party transportation may deduct 25¢ per barrel or the actual amount charged. The purpose of the regulation is to allow a standard 25¢ per barrel deduction for all producers.

Legal Citation:	R.S. 47:633(7)(a)
Origin:	Acts 1973, Ex. Sess., No. 6
Effective Date:	January 1, 1974

Beneficiaries: All of industry.

Administration: The purpose of this deduction is achieved in a fiscally effective manner

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$2,500,000	$2,500,000

Oil suspensions

15. Horizontal wells

Any well drilled or recompleted horizontally from which production begins after July 31, 1994, will have all severance tax suspended for 24 months or until payout of the well is achieved, whichever occurs first. Payout of well cost is the cost of completing the well to the start of production. The purpose of this tax suspension is to encourage drilling horizontal wells.

Legal Citation: R.S. 47:633(7)(c)(iii)
Origin: Acts 1994, No. 2
Effective Date: August 1, 1994

Beneficiaries: Any producer who successfully completes or recompletes a well horizontally.

Administration: The Department of Natural Resources determines the well cost payout and the Department of Revenue administers the tax suspension.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$5,000,000	$5,000,000

16. Inactive wells

Oil wells returned to service after being inactive for two or more years or having 30 days or less production for the past two years were allowed a severance tax exemption for five years. The June 30, 1996, deadline for applying for inactive status was extended to June 30, 1998, by Acts 1996, No. 16, and to June 30, 2000, by Acts 1998, No. 7. Acts 2002, No. 74 amended R.S. 47:633(7)(c)(iv) to reactivate the exemption effective for production beginning July 1, 2002, and ending June 30, 2006, and change the exemption period from five to two years.

Legal Citation: R.S. 47:633(7)(c)(iv)
Origin: Acts 1994, No. 2
Effective Date: August 1, 1994

Beneficiaries: Oil producers with older mature fields containing many inactive wells.

Administration: The potential for a large number of participants, plus the combination of the Department of Natural Resources certifying and the Department of Revenue administering could present problems.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$10,000,000	$10,000,000

17. Deep wells

The severance tax on oil wells drilled to a true vertical depth of more than 15,000 feet is suspended for a period of 24 months or until payout of the well cost, whichever occurs first. Production must start after July 31, 1994. The purpose of this tax suspension is to encourage oil operators to invest in the drilling of deep wells.

Legal Citation: R.S. 47:633(9)(d)(v)
Origin: Acts 1994, No. 2
Effective Date: August 1, 1994

Beneficiaries: Oil producers that successfully drill to a depth greater than 15,000 feet.

Administration: This incentive will be easy to administer as there should be a limited number of oil wells successfully completed at a depth of more than 15,000 feet.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$8,000,000	$8,000,000

18. New discovery wells

The severance tax on production from certified new oil discovery wells is suspended for a period of 24 months from the date of completion or until payout of the cost is recovered, whichever occurs first. The wells must be spudded after September 30, 1994, and completed before September 30, 1998. Act 7 of the 1998 Regular Legislative Session extended the completion date until September 30, 2000. The purpose of this tax suspension was to encourage exploration for new oil wells.

Legal Citation: R.S. 47:648.1 et seq.
Origin: Acts 1994, No. 2
Effective Date: October 1, 1994

Beneficiaries: Oil producers with new discovery wells.

Administration: The Department of Natural Resources certifies these wells and the Department of Revenue administers the program.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05***
$800,000	$0

*Since the new discovery well completion deadline was September 30, 2000, and the suspension was for 24 months from the date of completion, no additional revenue losses are expected.

19. Tertiary recovery

This suspension, enacted in 1983, provides that no severance tax is due on crude oil produced from a qualified tertiary project approved by the Department of Natural Resources until the project has reached payout. The purpose of this suspension is to provide financial assistance to producers undertaking large-scale carbon dioxide injection projects.

Legal Citation: R.S. 47:633.4
Origin: Acts 1983, Ex. Sess., No. 643
Effective Date: July 20, 1983

Beneficiaries: Producers undertaking large-scale carbon dioxide injection projects were the intended beneficiaries of this suspension; however, the collapse of oil prices postponed these projects.

Administration: To date, with only three projects approved, there have been no problems.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$50,000	$50,000

Oil special rates

20. Incapable oil

An oil well incapable of producing an average of more than 25 barrels of oil per producing day, and producing at least 50 percent salt water, and having no capable well on the lease is eligible for a special reduced tax rate of 6.25 percent of value. Act 43 of the 1998 regular Legislative Session changed the responsibility for certifying incapable wells from the Department of Natural Resources to the Department of Revenue effective June 24, 1998. The purpose of this special rate is to encourage the continued production from low-volume wells.

Legal Citation: R.S. 47:633(7)(b)
Origin: Acts 1948, No. 10
Effective Date: 1948

Beneficiaries: Oil producers in Louisiana with wells producing in the 10-25 barrel per day range.

Administration: This special reduced rate program is becoming more efficient to administer, monitor, and enforce.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$4,500,000	$4,500,000

21. Stripper oil

An oil well incapable of producing an average of more than ten barrels of oil per producing day for the entire taxable month is eligible for a special reduced tax rate of 3.125 percent of value. Act 43 of the 1998 Regular Legislative Session changed the responsibility for certifying stripper wells from the Department of Natural Resources to the Department of Revenue effective June 24, 1998. The purpose of this special rate is to encourage the continued production from stripper oil wells.

Legal Citation: R.S. 47:633(7)(c)(i)
Origin: Acts 1973, Ex. Sess., No. 5
Effective Date: January 1, 1974

Beneficiaries: Oil producers in Louisiana with low-producing oil wells.

Administration: The purpose of the special reduced rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$12,000,000	$12,000,000

22. Stripper oil - value less than $20 per barrel

An oil well certified as a stripper well (incapable of producing an average of more than ten barrels of oil per producing day) is exempt from severance tax in any month in which the average posted price for a 30-day period is less than $20 per barrel. Act 43 of the 1998 Regular Legislative Session amended the law to provide that the same value used as a basis to impose the severance tax under R.S. 47:633(7)(a) be used to determined the exemption for certified stripper production. The purpose of this exemption is to encourage producers to continue the operation of low-producing oil wells. However, stripper wells already qualify for a reduced tax rate of 3.125 percent of value.

Legal Citation: R.S. 47:633(c)(i)(bb)
Origin: Acts 1994, No. 2
Effective Date: June 1, 1994

Beneficiaries: Producers with oil wells certified as a stripper well.

Administration: The purpose of the special reduced rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$15,000	$15,000

23. Salvage oil

A special reduced rate of 3.125 percent of value applies to salvage oil reclaimed by class-one reclamation facilities that are permitted by the Office of Conservation. The purpose of this special rate is to provide financial assistance to class-one salvage oil operators.

Legal Citation: R.S. 47:648.21
Origin: Acts 1986, No. 673
Effective Date: July 1, 1986

Beneficiaries: Class-one salvage oil operators benefit from this special reduced rate. There is a prohibition against any person or affiliate of a person actually engaged in severing of oil, gas, or other natural resources from participating in this reduced rate program.

Administration: The purpose of the special reduced rate is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$15,000	$15,000

24. Horizontal mining and drilling projects

The working-interest owners of horizontal-mining and drilling projects approved by the Office of Conservation are taxed at the special reduced rate of 3.125 percent of value until the cumulative value of hydrocarbon production from the project equals 2.33 times the private investment invested by the working-interest owners. The purpose of this special rate is to promote innovation in horizontal-mining and drilling technologies.

Legal Citation: R.S. 47:633(7)(c)(ii)(aa)
Origin: Acts 1990, No. 551
Effective Date: August 1, 1990

Beneficiaries: Companies who undertake horizontal-mining and drilling projects benefit from this special rate. One project was planned, but never got off the ground and there are none planned for the near future.

Administration: There has been no activity; however, the language of recouping 2.33 times the private investment is unclear and could be difficult to administer.

Estimated Fiscal Effect: $0; no activity is anticipated for FY 2003-04.

Oil and gas incentive

25. Produced water injection incentive

A 20 percent severance tax reduction is allowed on oil and gas produced from wells in which produced water is injected into the reservoir to increase recovery. This incentive was enacted to reduce produced water discharge by providing a severance tax saving for producers that inject produced waters into an oil or gas reservoir to increase recovery or oil or gas. Originally the incentive required that the injected water be from the same reservoir or field. Act 67 of the 1998 Regular Legislative Session removed this restriction effective July 1, 1998.

Legal Citation: R.S. 47:633.5(C)
Origin: Acts 1991, No. 625
Effective Date: July 17, 1991

Beneficiaries: Oil and gas producers that inject produced waters into an oil or gas reservoir to increase the recovery or oil or gas will benefit from this incentive.

Administration: There should be no problems administering this incentive.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$200,000	$200,000

Mineral exemption

26. Owned and severed by political subdivisions

This exemption, enacted in 1988, applies to any political subdivision of the state that owns and severs minerals for its own use. The purpose of this exemption is to provide financial assistance to police jurors severing gravel for their own use.

Legal Citation: R.S. 47:632(B)
Origin: Acts 1988, No. 594
Effective Date: 1988

Beneficiaries: The political subdivisions that own and sever minerals for their own use.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; no activity is anticipated in the future since the tax on gravel has been repealed.

Petroleum Products Tax Exemptions

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Petroleum Products Taxes

Introduction

A tax on gasoline and motor fuels was first levied in the 1921 Louisiana Constitution at the rate of 1¢ per gallon. Special fuels were first taxed at the rate of 7¢ per gallon under a ***Use Fuel Tax*** as levied by Act 244 of 1940. This act also required fuel permits. Various amendments through the years set the rates as follows:

1921	Gasoline tax first levied at 1¢ per gallon
1924	Gasoline at 2¢ per gallon
1928	Gasoline at 4¢ per gallon
1930	Gasoline at 5¢ per gallon
1936	Gasoline at 7¢ per gallon
1940	Special fuels tax first levied at 7¢ per gallon
1948	Gasoline and special fuels at 9¢ per gallon
1952	Gasoline and special fuels at 7¢ per gallon
1968	Gasoline and special fuels at 8¢ per gallon
1984	Gasoline and special fuels at 16¢ per gallon
1990	Gasoline and special fuels at 20¢ per gallon

Act 16 of the First Extraordinary Session of 1989 increased the total tax on gasoline, motor fuels, and special fuels to the current 20¢ per gallon, not by increasing the 16¢ per gallon rate imposed by R.S. 47:711 and R.S. 47:802, but by levying an additional 4¢ under a new part titled ***Transportation Infrastructure Model for Economic Development*** (TIMED). The money generated by this levy, which was effective January 1, 1990, was specifically dedicated. By the same legislation, the Transportation Trust Fund was created wherein the 16¢ per gallon tax collections would eventually be deposited.

The gasoline tax is collectible from the dealers who first handle, sell, distribute, use, consume, etc., the gasoline and motor fuel in Louisiana. The term ***dealer*** includes those who produce, refine, manufacture, blend, or import the fuel. The tax is collectible from jobbers under certain conditions. Both dealers and jobbers are required to be bonded.

The special fuel tax is imposed on all special fuels used in vehicles licensed or required to be licensed for highway use except liquefied petroleum gas or compressed natural gas. The tax is collected or paid by suppliers or any interstate user on special fuels imported into this state and by bulk users when fuel purchased tax-free is removed from storage and consumed in the operation of motor vehicles in the state. Owners or operators of motor vehicles that use liquefied petroleum gas or compressed natural gas pay an annual flat rate or tax based on usage depending on weight of the vehicle. Suppliers are required to be bonded.

Acts 1978, No. 330 enacted, at R.S. 51:792, a fee of 1/32 of 1¢ per gallon on all gasoline, kerosene or motor fuel distributed, sold or offered or exposed for sale or use or consumption in the state of Louisiana or used or consumed in the state. The fee, to be paid by the first person handling the fuel, was to defray the expenses connected with the inspection, testing and analyzing of petroleum products in this state. Acts 2003, No. 139 repealed the fee in Title 51 and enacted the fee in Title 3. This Act increased the fee to 4/32 of 1¢ per gallon and made it applicable to all petroleum products except liquefied petroleum products and natural gas.

Legal Citations

Gasoline/Motor Fuels:
- R.S. 47:71 through 47:727
- R.S. 47:771 through 47:788
- R.S. 47:820.1

Special Fuels:
- R.S. 47:801 through 47:815
- R.S. 47:820.1

Fee for Inspection:
- R.S. 3:4684

Petroleum Products Taxes

Tax Base

Gasoline and motor fuel sold, used, or consumed in the state of Louisiana for domestic consumption; all special fuels sold, used, or consumed in Louisiana for the operation of motor vehicles that are licensed or required to be licensed for highway use.

Fee Base

All Petroleum products distributed, sold, or offered or exposed for sale or use or consumption in the state of Louisaina except liquefied petroleum gas and natural gas.

Tax Rate

Gasoline:	20¢ per gallon
Special Fuels:	20¢ per gallon
Fee for Inspection:	4/32 of 1¢ per gallon

LGP or CNG:

- Vehicle weight 10,000 pounds or less – 16¢ per gallon of fuel used not to exceed $150 annual flat rate
- Vehicle weight over 10,000 pounds – 16¢ per gallon of fuel used but not less than $150 annual flat rate

Types of Tax Exemptions

Petroleum products tax exemptions are in the form of exemptions, refunds, and discounts. Exemptions are items that were included in the tax base, but have been specifically exempted statutorily. Refunds are a restitution of taxes paid. Discounts are a proportionate deduction from the amounts reported.

There are two statutory tax exemptions that are also prohibited from taxation by federal laws. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

Significant Changes Fiscal Year 2002-2003

Acts 2003, No.139 moved the regulation and verification of commercial weighing and measuring petroleum products by the Department of Agriculturre and Forestry to Title 3: increased the inspection fee on gasoline, kerosene and motor fuel to 4/32¢ per gallon and included special fuels as subject to the inspection fee. However, no fee is due on special fuels that are eligible for tax refunds under R.S. 47:802.1 and 802.2. Implemented September 1, 2003.

Gasoline tax exemptions

1. Casinghead gasoline

Casinghead and absorption gasoline, when sold to be blended or compounded with other less volatile liquids in the manufacture of commercial gasoline or motor fuel, is exempt from gasoline tax. The purpose of this exemption is to encourage the blending of casinghead and absorption gasoline with other less volatile liquids in the production of gasoline or motor fuels.

Legal Citation: R.S. 47:713
Origin: Acts 1928, Ex. Sess., No. 6
Effective Date: January 4, 1929

Beneficiaries: At present, no casinghead or absorption gasoline is being sold for blending or compounding with a less volatile liquid in the manufacturing of commercial gasoline as a motor fuel.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0.

2. Aviation gasoline

Fuel manufactured specifically for use by aircraft, and meeting the definition as set forth in specification Number D910 of the American Society for Testing and Materials, is exempt from the tax. The purpose of this provision is to allow the sale of gasoline for aviation use to be exempt from the gasoline tax.

Legal Citation: R.S. 47:716.1
Origin: Acts 1980, No. 559
Effective Date: September 12, 1980

Beneficiaries: Owners/operators of aviation gasoline powered aircraft.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,300,000	$1,300,000

Gasoline tax refunds

3. School-bus drivers

Contract drivers of all privately-owned school buses transporting Louisiana students, whether such students are in private or public schools, are eligible for a refund of one-half of the gasoline taxes paid. The purpose of this refund is to financially assist contract drivers of privately-owned school buses.

Legal Citation: R.S. 47:715.1
Origin: Acts 1984, No. 927
Effective Date: September 3, 1984

Beneficiaries: Contract drivers of privately-owned school buses.

Administration: The purpose of the refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$140,000	$140,000

4. Farmers, fishermen, and aircraft

Excise tax paid on gasoline used as a motor fuel by farmers, fishermen, and aircraft operators are refunded when the fuel is used in certain areas of their business. Examples include:

Business	**Purpose**
Farmers	turning the soil
Fishermen	propelling boats
Fishermen	powering vehicles used in business
Aircraft	using automotive gasoline in aircraft

The purpose of this refund is to allow gasoline for certain uses to be free of tax and to financially assist the commercial fishermen.

Legal Citation: R.S. 47:1681
Origin: Acts 1950, No. 371
Effective Date: September 1, 1950

Beneficiaries: Farmers, fishermen, and operators of gasoline-powered aircraft.

Administration: The purpose of the refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$105,000	$105,000

Gasoline tax discounts

5. Discount of three percent for a gasoline jobber

A discount of three percent of the first 4¢ of the total tax per gallon purchased by a jobber for domestic consumption is allowed as a deduction from the taxable gallonage. The purpose of this discount is to compensate the dealers for product losses incurred when handling motor fuels.

Legal Citation: R.S. 47:719(A)
Origin: Acts 1975, No. 503
Effective Date: September 12, 1975

Beneficiaries: Bonded gasoline jobbers.

Administration: The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$700,000	$700,000

6. Discount of three percent for a gasoline dealer

A discount of three percent of the first 1¢ of the total tax per gallons sold, used, or consumed by a dealer for domestic consumption is deducted from the taxable gallonage. The purpose of this discount is to compensate the dealers for product losses incurred when handling motor fuels.

Legal Citation: R.S. 47:719(B)
Origin: Acts 1928, Ex. Sess., No. 6
Effective Date: January 4, 1929

Beneficiaries: Bonded gasoline dealers.

Administration: The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$700,000	$700,000

Special fuels tax refunds

7. School-bus drivers

Contract drivers of all privately-owned school buses transporting Louisiana students, whether such students are in private or public schools, are eligible for a refund of one-half of the special fuels tax. The purpose of this refund is to financially assist contract drivers of privately-owned school buses.

Legal Citation: R.S. 47:715.1
Origin: Acts 1984, No. 927
Effective Date: September 3, 1984

Beneficiaries: Contract drivers of privately-owned school buses.

Administration: The purpose of the refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$360,000	$360,000

8. Special fuels used in licensed vehicles by commercial fishermen

Licensed commercial fishermen are eligible for a refund of the special fuels tax paid on the fuel used operating licensed motor vehicles when performing commercial fishing-related business. The purpose of this refund is to allow special fuels used by fishermen to be free of tax and to financially assist the commercial fishermen.

Legal Citation: R.S. 47:802.2
Origin: Acts 1982, No. 820
Effective Date: January 1, 1983

Beneficiaries: Licensed commercial fishermen.

Administration: The purpose of the refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible; less than $10,000.

Special fuels tax discount

9. Discount of three percent

A three percent discount of the net taxable gallons reported is allowed for collecting and remitting the tax and as an allowance for evaporation. The purpose of this discount is to compensate the suppliers for expenses incurred in collecting and remitting the taxes and for product losses incurred due to evaporation.

Legal Citation: R.S. 47:808(D)
Origin: Acts 1954, No. 166
Effective Date: July 30, 1954

Beneficiaries: Licensed special fuels suppliers.

Administration: The purpose of the discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$3,900,000	$3,900,000

Inspection fee on petroleum products

10. Undyed special fuels used for nontaxable purposes

The inspection fee does not apply to taxed undyed special fuel that is purchased and used for other that highway purposes that is subject to a tax refund in accordance with R.S. 47:802.1.

Legal Citation: R.S. 3:4684
Origin: Acts 2003, No. 139
Effective Date: September 1, 2003

Beneficiaries: Purchasers of undyed special fuel that is used for other than highway purposes when dyed special fuel is not available.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to anticipate the fiscal effect.

11. Undyed special fuels used by commercial fisherman

The inspection fee does not apply to taxed undyed special fuel that is purchased and used in vehicles utilized by licensed commercial fishermen in the administration of the business associated with commercial fishing that is subject to a tax refund in accordance with R.S. 47:802.2.

Legal Citation: R.S. 3:4684
Origin: Acts 2003
Effective Date: September 1, 2003

Beneficiaries: Licensed commercial fishermen.

Administration: The purpose of this credit is achieved in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to anticipate the fiscal effect.

Federally imposed exemptions

12. Gasoline sales to federal government and its agencies

Gasoline delivered to the U.S. Government in quantities of 6,000 gallons or more is exempt from the gasoline taxes. Also, gasoline sold to the U.S. Government for the purpose of propelling an aircraft or boat is exempt. The purpose of this provision is to provide an exemption for bulk sales and for fuel used for specific government purposes.

Legal Citation: R.S. 47:715
Origin: Acts 1944, No. 131
Effective Date: July 6, 1944

Beneficiaries: The U.S. Government.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$3,000,000	$3,000,000

13. Interstate gasoline shipments/ exports

Gasoline exported beyond the borders of Louisiana is not subject to the excise tax. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citations:	R.S. 47:717 U.S. Constitution
Origin:	Acts 1928, Ex. Sess., No. 6
Effective Date:	January 4, 1929

Beneficiaries: Dealers who export products in interstate commerce.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,925,000,000	$1,925,000,000

Public Utilities and Carriers Tax Exemptions

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Public Utilities and Carriers Taxes
Inspection and Supervision Fee

Introduction

The inspection and supervision fee was first imposed by Act 108 passed during the Extraordinary Session of 1921. This act established that each common carrier and public utility doing business in Louisiana and subject to the control and jurisdiction of the Public Service Commission would pay an annual fee for the inspection, control, and supervision of the business, service, and rates of such common carrier and public utility. The fee was set on a graduated scale, with a minimum annual fee established of $10 not to exceed a maximum of $500, to be due at the end of December. Changes to the fee and rate schedules occurred in 1928, 1935, 1962, 1970, and again in 1972 when a minimum annual fee of $35 was established and the maximum amount eliminated.

The year 1985 brought forth two pieces of legislation. Act 182 changed the due date from December 31 to April 1; while Act 561 implemented a supplemental fee of 20 percent of the inspection and supervision fee payment on each gas, electric, and telephone public utility. Act 700 of 1986 changed the reporting period from annually to quarterly, adjusted the rates, and established the minimum amount to be paid at not less than $12.50 quarterly, $50 annually.

As a result of Section 601 of the Federal Aviation Administration Act of 1994, Act 301 of 1995 was enacted removing certain motor carriers from the jurisdiction of the Louisiana Public Service Commission thus eliminating these carriers from the imposition of the Inspection and Supervision Fee.

Legal Citations

R.S. 45:1177 through 45:1179

Tax Base

Gross receipts from Louisiana intrastate business from each common and contract carrier and public utility.

Tax Rate

- $3.18 per $1,000 for the first $100,000 or less of such gross receipts;
- $2.68 per $1,000 of such gross receipts in excess of $100,000 and not more than $250,000;
- $2.18 per $1,000 of such gross receipts in excess of $250,000 and not more than $500,000;
- $1.68 per $1,000 of such gross receipts in excess of $500,000 and not more than $750,000;
- $1.43 per $1,000 of such gross receipts in excess of $750,000 and not more than $1,000,000;
- $1.18 per $1,000 of such gross receipts in excess of $1,000,000 and not more than $2,000,000;
- $.93 per $1,000 of such gross receipts in excess of $2,000,000 and not more than $5,000,000;
- $.68 per $1,000 of such gross receipts in excess of $5,000,000 and not more than $10,000,000;
- $.58 per $1,000 of such gross receipts in excess of $10,000,000 and not more than $25,000,000;
- $.48 per $1,000 of such gross receipts in excess of $25,000,000 and not more than $100,000,000;
- $.38 per $1,000 of such gross receipts in excess of $100,000,000.

In no case shall the fee be less than $50 annually.

Types of Tax Exemptions

For the purpose of the fee, the tax exemptions are in the form of exclusions. Exclusions are items specifically not included in the tax base.

Significant Changes Fiscal Year 2002-2003

There were no significant changes to the inspection and supervision fee laws during the past year.

Exclusions

1. Ten-mile zone exclusion

Certain common carriers operating sightseeing passenger vehicles are allowed to exclude a ten-mile zone from the computation of their gross receipts. The common carrier must operate the vehicles within the limits and not more than ten miles from one incorporated municipality under a municipal certificate of public convenience and necessity. The purpose of this exclusion is to shelter the ten-mile zone from taxation.

Legal Citation: R.S. 45:1177(A)(4)
Origin: Acts 1980, No. 626
Effective Date: September 12, 1980

Beneficiaries: Carriers conducting business operations as provided.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no reporting requirement.

2. Power cost exclusion

A deduction from gross receipts is allowed for the cost paid for the purchase of wholesale power for resale by electric cooperatives, organized pursuant to R.S. 12:401 et seq. The purpose of this exclusion is to eliminate the double taxation of power; first when it is purchased for resale and second when it is sold.

Legal Citation: R.S. 45:1177(A)(5)
Origin: Acts 1990, No. 39
Effective Date: September 7, 1990

Beneficiaries: Electric cooperatives and their customers.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$150,000	$150,000

3. Commercial mobile service exclusion

That portion of telephone public utilities receipts attributable to commercial mobile services are to be excluded when determining the amount of supplemental fee due per R.S. 45:1177(D) that is in addition to the inspection fees. The purpose of this exclusion is to remove certain receipts from charges not under the regulation of the Public Service Commission from the base for computing the supplemental fee only.

Legal Citation: R.S. 45:1177(E)
Origin: Acts 1997, No. 710
Effective Date: July 1, 1997

Beneficiaries: Any person or entity owning, operating, managing, or otherwise providing commercial mobile services.

Administration: The purpose of the exclusion is to be achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$75,000	$75,000

Public Utilities and Carriers Taxes
Transportation and Communication Utilities Tax

Introduction

A tax on transportation and communication utilities was first imposed by Act 13 of the 1934 Regular Legislative Session. The tax was levied on every person owning or operating, or owning and operating, any public utility, as defined, in this state. ***Public utilities*** has been defined to include railroads and railways, sleeping cars, motor bus lines, motor freight lines, express companies, boat or packet lines, and pipe lines. The basic law has remained relatively unchanged over the years with the majority of changes occurring to the definitions of the various utilities and what constitutes ***gross receipts*** for the respective utilities.

Act 388 of 1991 repealed the transportation and communication tax as it applied to telephone companies and at the same time the telephone companies' services became subject to sales and use tax.

Legal Citations

R.S. 47:1001 through 47:1010

Tax Base

Gross receipts, as defined, from the utility's intrastate business.

Tax Rate

Two percent of gross receipts as defined.

Types of Tax Exemptions

The only tax exemption provided for is an exclusion. An exclusion is an item specifically not included in the tax base.

Significant Changes Fiscal Year 2002-2003

There were no significant changes to the transportation and communications utilities tax laws during the past year.

Exclusion

1. Seven-mile zone exclusion

Gross receipts from the transportation of passengers, freight, or property that originates and is delivered to points within the corporate limits of the same city or town or within a seven-mile zone adjacent to such city or town and within two contiguous parishes each with a population of 400,000 or more and a seven-mile adjacent zone, are not subject to the excise tax. The purpose of this exclusion is to shelter the seven-mile zone from taxation.

Legal Citation: R.S. 47:1003(11)
Origin: Acts 1965, No. 34
Effective Date: June 28, 1965
Amended October 1, 1991

Beneficiaries: Public utilities that transport within the specified radii.

Administration: The purpose of the exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$450,000	$450,000

Sales Tax Exemptions

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156.	Use of vehicles in La. by active military personnel	R.S. 47:305.48	308

[6]Taxation is prohibited by the state constitution, federal laws, or existing reciprocal agreements.

Sales Tax

Introduction

Louisiana sales tax was first imposed in 1936. The original sales tax was enacted as a two percent ***luxury sales tax***. It was replaced by a one percent general sales tax that was in effect between 1938 and 1940. In 1942, a one percent ***war emergency tax*** was enacted and set to run for a two-year period. The first permanent sales tax was enacted in 1944 at a rate of one percent (R.S. 47:302); increased to two percent in 1948 (R.S. 47:302); increased to three percent in 1970 (R.S. 47:321); and increased to a four percent rate in 1984 (R.S. 47:331).

The general sales tax rate was four percent until June 30, 1988. In 1988, the legislature created the Louisiana Recovery District and authorized the District to issue bonds to be secured through the imposition of a sales tax. The one percent general sales tax imposed under R.S. 47:321 was repealed and was replaced by the one percent Recovery District tax. Due to bonding requirements, the taxes levied by the Recovery District are not affected by tax law changes subsequent to 1988. This combination of a three percent general sales tax, along with a one percent Recovery District tax remained in effect from July 1, 1988 to September 30, 1990.

In 1990, the legislature created the Louisiana Tourism Promotion District and granted it the authority to levy a tax. On October 1, 1990, the Tourism Promotion District levied a .03 percent sales tax, and on the same date the general sales tax rate imposed under R.S. 47:331 was reduced to .97 percent totalling the same overall tax rate of one percent. The tax base is the same for the Tourism Promotion District and general sales tax. On September 30, 1996, the bonds of the Recovery District were retired and the Recovery District ceased to exist. The levy of the Recovery District was replaced with a one percent general sales tax levy under R.S. 47:321.

For the purposes of this report, the term ***general sales tax*** is used to reference the four percent tax imposed by both the state and the Tourism Promotion District.

Exclusions and exemptions from the sales tax have existed since the first tax levy and new exclusions and exemptions have been enacted over the years. The exemptions were effective against the total sales tax base until 1986. During the 1986 Regular Legislative Session, House Concurrent Resolution 55 was enacted, which suspended the sales tax exemptions imposed under R.S. 47:331 for the period of July 1, 1986 through June 30, 1987. As a result of the suspension, traditionally exempt items were subject to a one percent sales tax. The legislature continued the one percent suspension until July 31, 1989. Effective August 1, 1989, the suspension rate was changed to three percent through December 31, 1989; two percent from January 1, 1990 through July 9, 1990; and three percent from July 10, 1990 through June 30, 1997. From July 1, 1993 to September 30, 1996, exemptions from the one percent sales tax levied by the Louisiana Recovery District were also suspended, resulting in a four percent suspension rate.

In order to extend tax relief, the Louisiana Legislature began enacting exclusions from the tax under the definitions in R.S. 47:301, rather than the exemptions under R.S. 47:305. Some of the new exclusions replaced existing exemptions that were taxable under the suspension of exemptions. This action resulted in two statutes affecting the same subject. In 1998, duplicative exemptions were repealed leaving only the exclusion as the statutory authority. The bonds of the Recovery District were retired as of September 30, 1996, and the District ceased to exist. The levy of the District was replaced with a one percent general sales tax levy and the four percent suspension continued until June 30, 1997. From July 1, 1997 to June 30, 2000, the suspension rate is three percent. From

July 1, 2000 to June 30, 2004 the suspension rate is four percent.

The sales tax currently collected by the Department of Revenue is as follows:

Type	Rate	Source
General Sales Tax	2.00 %	R.S. 47:302
	1.00 %	R.S. 47:321
	.97 %	R.S. 47:331
Tourism Prom. Dist.	.03 %	Ordinance
Total	4.00 %	

Legal Citations

R.S. 47:301 - 47:333
R.S. 4:168
R.S. 4:227
R.S. 12:425
R.S. 33:2718.3
R.S. 33:4169
R.S. 38:2212.3
R.S. 39:367 - 39:368
R.S. 40:582.1 - 40:582.7
R.S. 47:1121
R.S. 47:1515.1
R.S. 47:6001
R.S. 51:1301

Tax Base

The tax base consists of retail sales of tangible personal property, rental of movable property, and selected services. The tax base also includes use tax due on the cost of tangible personal property imported into this state or purchased within this state without the proper payment of sales tax.

Types of Tax Exemptions

Louisiana sales tax exemptions are in the form of exclusions, exemptions, alternate reporting methods, credits, and refunds. Exclusions are items that have been excluded from the tax base by definition. Exemptions are items that were included in the tax base, but have been specifically exempted. Alternate reporting methods allow taxpayers to report and remit taxes in a manner different from the normally required procedure. Statutuorily prescribed methods of taxation are items that have statutory methods to calculate the tax. Credits are situations when the taxpayer can deduct the credit amount from the tax due and pay only the net tax due. Refunds are the result of taxes paid initially, but for which the taxpayer may be reimbursed. All tax exemptions that are the result of Louisiana tax statutes are included in this report.

There are several statutory tax exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

Fiscal Impact

The fiscal impact shown in this budget reflects all current statutory language and is not broken down by the various levies. It reflects the suspension of most exemptions at the rate of 4 percent for fiscal year 2003-2004.

Legislation to suspend most exemptions at the 4 percent state sales tax rate for fiscal years 2002-2003 and 2003-2004 was enacted during the 2002 Regular Session by Act 22. In addition to continuing the 4 percent tax rate on suspended exemptions, Act 22 made R.S. 47:321(H) permanently inapplicable, inoperable, and of no effect from July 1, 2002 forward. Therefore, 1 percent of the suspended tax rate will remain in effect and the impact is reflected in FYE 2004-2005 estimates.

Significant Changes Fiscal Year 2003-2004

Act 141 of the 2002 Regular Session amends R.S. 47:303.1(B), (C), and (D) to provide that private, nonprofit, tax exempt organizations may apply for a direct payment number. The

Act also amends Section 2 of Acts 1996, No. 15 (later amended by Act 1998, No. 47 and Act 2000, No. 33) to extend the termination date regarding the exclusion from state and local sales tax of certain transactions involving certain private and parochial elementary and secondary schools from July 1, 2003, to July 1, 2005.
Effective July 1, 2003.

Miscellaneous:

On March 23, 2002 the following exemptions/ exclusion had an injunction against them that prohibited the Department from enforcing:

- R.S. 47:301(6)(b), R.S. 47:301(14)(b)(iv) and R.S. 33:4574.1(A)(1)(b) Room rentals at camp and retreat facilities for religious purposes
- R.S. 47:301(8)(d) Purchases of bibles, song books, or literature used for religious instruction classes
- R.S. 47:301(8)(e)(i) Purchases by the Society of the Little Sisters of the Poor

The injunction was dissolved on June 11, 2003 and the United States Fifth Circuit Court of Appeals denied a rehearing of its decision on July 29, 2003. The religious entities that have been paying tax on these transactions while the suit was on appeals may now file for refunds.

The preliminary injunction issued on 7/24/02 by the Nineteenth Judicial District Court, Parish of East Baton Rouge prohibiting Louisiana from enforcing the provisions of the Cellular Phone exclusion (R.S. 47:301(10(v), 13(g) and (18)(i) Sales of Cellular Telephones and Electronic Accessories) is still in effect.

Exclusions

1. Purchases by pari-mutuel horse racetracks

This exclusion allows racetracks licensed by the Racing Commission to make purchases of tangible personal property, services, and leases and rentals without the payment of sales or use tax. The State imposes certain license fees, commissions, and taxes on racetracks and horse racing. The purpose of this exclusion is to remove the liability for sales tax in lieu of the special taxes imposed on licensed racetracks.

Legal Citation: R.S. 4:168
Origin: Acts 1968, No. 554
Effective Date: July 19, 1968

Beneficiaries: Horse-racing tracks licensed by the Louisiana State Racing Commission.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

2. Purchases by off-track wagering facilities

This exclusion allows off-track wagering facilities licensed by the Racing Commission to make purchases of tangible personal property, services, leases, and rentals without the payment of sales or use tax. The State imposes certain license fees, commissions, and taxes on the racetracks and horse racing. The purpose of this exclusion is to remove the liability for sales tax in lieu of the special taxes imposed on the licensed off-track wagering facilities and to extend the exclusion enjoyed by pari-mutuel racetracks to these off-track facilities.

Legal Citation: R.S. 4:227
Origin: Acts 1990, No. 1013
Effective Date: July 26, 1990

Beneficiaries: Off-track wagering facilities licensed by the Louisiana State Racing Commission.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

3. Purchases, services, and rentals by private company working for local authority on construction or operation of sewerage or wastewater treatment facilities

The provision allows a private company with a contract to construct or operate a sewerage or wastewater treatment facility for a local governmental authority to be entitled to the same exclusions and exemptions as the governmental authority. The governmental entity has an exclusion for the purchase of tangible personal property and services and the rental/lease of tangible personal property under R.S. 47:301(8)(c). The purpose of this exclusion is to provide financial assistance to local governments through lower contract cost.

Legal Citation: R.S. 33:4169(D)
Origin: Acts 1982, No. 795
Effective Date: September 10, 1982

Related Exclusion: R.S. 47:301(8)(c)

Beneficiaries: Private companies and local governments.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner but it is not used extensively.

Estimated Fiscal Impact: Unable to anticipate, no data. Currently the Department has 6 companies operating facilities for 12 local authorities. The amount of the contracts are not known.

4. Isolated or occasional sales of tangible personal property

This exclusion allows isolated or occasional sales, other than motor vehicles, that are not sold as a part of regular business activity to be tax free. This exclusion can be claimed by both businesses and individuals. The purpose of this exclusion is to allow tax-free sales between individuals who are not in the retail business and by businesses on sales outside their normal course of business.

Legal Citations: R.S. 47:301(1)
R.S. 47:301(10)(c)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: The beneficiaries of this exclusion are individuals not in the business of selling and the consumers who purchase occasional-sale items. Businesses also utilize this exclusion when they sell items outside their normal business activity (example: the sale of a cash register by a department store).

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data. Based on boats and airplanes registered annually with the U.S. Coast Guard and the FAA, respectively, the minimal fiscal estimate is $9.6 million annually.

5. Installation charges on tangible personal property

This exclusion allows separately stated installation charges associated with the sale of tangible personal property to be tax free. The purpose of this exclusion is to eliminate the tax on installation charges.

Legal Citation: R.S. 47:301(3)(a)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: The beneficiaries of this exclusion are individuals and businesses who purchase equipment for which an installation charge is made.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

6. Installation of board roads to oil-field operators

This exclusion allows installers of board roads, when dealing with oil-field operators, to separately itemize the installation charges associated with the board road and to exclude these charges from the sales tax. The purpose of this exclusion is to eliminate the tax on installation charges paid by oil-field contractors.

Legal Citation: R.S. 47:301(3)(c)
Origin: Acts 1983, No. 446
Effective Date: July 3, 1983

Beneficiaries: Oil-field contractors.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

7. Manufacturers rebates on new motor vehicles

This exclusion allows the taxable amount of a new vehicle to be reduced by the amount of a manufacturer's rebate allocated directly to the consumer. The purpose of this exclusion is to relieve the new-car buyer of the tax on the rebate, which represent reductions in the sales price.

Legal Citations: R.S. 47:301(3)(e)
R.S. 47:301(13)(b)
Origin: Acts 1991, No. 350
Effective Date: September 6, 1991

Beneficiaries: The general public purchasing new motor vehicles where manufacturers' discounts or rebates are transferred directly to the consumer.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$12,661,000	$12,914,450

Note: A revision of the prior year estimates is based on recent data obtained from the office of Motor Vehicles

8. Manufacturers rebates paid directly to a dealer

This exclusion allows any payments made directly between the manufacturer and a third-party dealer (not the manufacturer's customer) for the manufacturer's product for the specific purpose of reducing the sales price and which actually reduce the price as stated to the consumer for the tangible personal property to be free of sales tax. The actual sales price to be paid directly by the consumer will be subject to sales tax. Manufacturers coupons used by the consumer as part payment of the "sales price" at the time of purchase and redeemed by the dealer will remain taxable. This exclusion excludes this payment from the definition of "cost price" and "sales price." The purpose of this exclusion is to clearly identify the taxable sales price being paid for tangible personal property by the consumer at the time the property is purchased.

Legal Citations: R.S. 47:301(3)(g)
R.S. 47:301(13)(e)
Origin: Acts 1996, No. 33
Effective Date: July 2, 1996

Beneficiaries: Dealers in cigarettes and their consumers of cigarettes.

Administration: It is not known if the purpose of this exemption is being achieved in a fiscally effective manner. This exclusion is only known to apply to payments made by cigarette manufacturers who make payments directly to the cigarette retailer. Other industries may have similar transactions.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$2,395,000	$2,442,900

9. Leases or rentals of railroad rolling stock and leases or rentals by railway companies and railroad corporations

This exclusion removes lessors/rentors of railroad rolling stock from the requirement to charge the lease/rental tax to their lessees. This exclusion still requires lessees/rentees, with the exception of railway companies or railroad corporations, to self-assess the lease/rental tax and remit the tax directly to the state. The purposes of this exclusion are to relieve the lessors/rentors of railroad rolling stock from the burden of collecting the rental tax on rolling stock and to provide relief to railway companies and railroad corporations from the lease/rental tax.

Legal Citation: R.S. 47:301(4)(k)
Origin: Acts 1990, No. 444
Effective Date: September 7, 1990

Beneficiaries: Louisiana lessors/rentors of rail rolling stock and railway companies.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate, no data.

10. Room rentals at camp and retreat facilities for religious purposes

This provision excludes from the tax certain room rentals at camp and retreat facilities owned and operated for religious purposes by nonprofit religious organizations. The qualifying room rentals must be associated with the attendance of an organized religious event held at the facility. Room rentals to persons merely purchasing lodging at the facility do not qualify for the exclusion. The purpose of this exclusion is to identify the appropriate tax due at traditional religious camp retreats.

Religious camp retreats have similar exclusion for places of amusement under R.S. 47:301(14)(b)(iv).

Legal Citation: R.S. 47:301(6)(b)
Origin: Acts 1998, No. 40
Effective Date: August 15, 1998

Related Exclusion: R.S. 47:301(14)(b)(iv)

Beneficiaries: Traditional religious camp retreats.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible (less than $10,000)

Note: The injunction that prohibited Louisiana from granting a sales tax exclusion to religious entities was dissolved on June 11, 2003 and the United States Fifth Circuit Court of Appeals denied a rehearing of its decision on July 29, 2003. Religious entities that have been paying or collecting tax on these transactions while this suit was on appeal may now file for refunds. The Department cannot anticipate how many refund requests will be received.

11. Rentals or leases of certain oil-field property to be re-leased or re-rented

This exclusion allows oil-field equipment rental dealers to rent/lease certain oil-field equipment from other dealers for re-rent or re-lease, without paying a tax on the rental for re-rent or lease for re-lease. The tax is collected on the rental to the final consumer. The purpose of this exclusion is to relieve dealers from having to maintain a large inventory of rental equipment.

Legal Citation: R.S. 47:301(7)(b)
Origin: Acts 1966, No. 124
Effective Date: July 27, 1966

Beneficiaries: Oil-field equipment rental dealers.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$910,800	$929,000

12. Certain transactions involving the construction or overhaul of U.S. Navy vessels

This exclusion allows all rentals/leases and sales of services involved in the construction or overhaul of U.S. Navy vessels to be free of sales tax and applies to contractors involved with the construction or overhaul of the vessel. The purpose of this exclusion is to make Louisiana shipyards competitive with other states.

Legal Citations: R.S. 47:301(7)(c)
R.S.□301(14)(h)
Origin: Acts 1989, No. 833
Effective Date: September 3, 1989

Beneficiaries: Shipyards and providers of repair services to U.S. Navy vessels.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$568,000	$579,350

13. Rental or purchase of airplanes or airplane equipment and parts by Louisiana domiciled commuter airlines

This exclusion allows Louisiana domiciled commuter airlines to rent/lease or purchase airplanes or airplane equipment free of general sales tax. This exclusion was enacted after the exemption authorized under R.S. 47:305.21 was suspended. This exemption became taxable as a result of various resolutions and acts of the Louisiana Legislature that suspended either in whole or in part most of the traditionally exempt items from the state sales tax. Exclusions from the tax have been and are currently protected from the suspension and therefore not taxable. In 1998, the duplicative exemption, R.S. 47:305.21, was repealed leaving the exclusion as the only statutory authority. The purpose of this exclusion is to remove the tax due on Louisiana domiciled commuter airlines.

Legal Citations:	R.S. 47:301(7)(d) R.S. 47:301(10)(k)
Origin:	Acts 1991, No. 772
Effective Date:	July 1, 1991

Beneficiaries: Any Louisiana based commuter airline.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate.

14. Purchases, leases, and sales of services by free hospitals

This exclusion allows hospitals that provide free care to all patients to purchase, lease, or rent tangible personal property, or receive sales of services without paying sales tax. The original Act did not allow for the exclusion of sales of services. Act 43 of the 1996 Regular Session added the exclusion for sales of services effective July 2, 1996. The purpose of this exclusion is to provide financial relief to hospitals providing free services.

Legal Citations:	R.S. 47:301(7)(e) R.S. 47:301(10)(p) R.S. 47:301(18)(c)
Origin:	Acts 1994, No. 6 Amended by Acts 1996, No. 43
Effective Date:	July 1, 1994

Beneficiaries: Hospitals that provide free care to all patients.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$47,000	$48,000

15. Certain educational materials and equipment used for classroom instruction

This exclusion allows approved parochial and private elementary and secondary schools that comply with the court order from the Dodd Brumfield decision and Section 501(c)(3) of the Internal Revenue Code to rent/lease or purchase specific materials and equipment for classroom instruction free of sales tax. The materials and equipment are limited to books, workbooks, computers, computer software, films, videos, and audio tapes. These items must be used for classroom instruction only. This statute also excludes the sales of tangible personal property by the approved school from the sales tax, when the proceeds of such sales are used solely and exclusively to support the school. This exclusion for sales does not allow tax-free sales to students or their families by promoters or regular dealers through the use of the school name or facilities. The purpose of this exclusion is to allow financial relief to qualifying schools for classroom materials and equipment and to assist in fund-raising.

Legal Citations:	R.S. 47:301(7)(f) R.S. 47:301(10)(q) R.S. 47:301(18)(e)
Origin:	Acts 1996, No. 15 Amended Acts 1998, No. 47, Amended by Acts 200 NO.33, Amended by Acts 2003, NO.141
Effective Date:	July 1, 1997
Sunset Date:	July 1, 2005

Beneficiaries: Qualifying parochial and private elementary and secondary schools.

Administration: It is not known if the purpose of this exemption is being achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$579,000	$590,600

16. Sales and rentals to Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc.

This exclusion allows Boys State of Louisiana, Inc., and Girls State of Louisiana, Inc., to purchase and lease or rent tangible personal property without the payment of sales tax when the property is used by their educational and public service programs for youth. The purpose of this exclusion is to provide financial relief to these two organizations.

Legal Citations:	R.S. 47:301(7)(g) R.S. 47:301(10)(r) R.S. 47:301(18)(f)
Origin:	Acts 1996, No. 20
Effective Date:	July 1, 1996

Beneficiaries: Boys State of Louisiana, Inc., and Girls State of Louisiana, Inc.

Administration: It is not known if the purpose of this exemption is being achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible (less than $10,000).

17. Vehicle rentals for re-rent to warranty customers

This provision allows licensed motor vehicle dealers to lease or rent motor vehicles without the payment of the tax when such vehicles will be provided at no charge to their customers under the terms of the warranty agreement associated with the purchase of a motor vehicle. The provision also extends to work associated with an applicable warranty that has lapsed and the rental is provided at no charge. The purpose of this exclusion is to provide financial assistance to motor vehicle dealers.

Legal Citation: R.S. 47:301(7)(h)
Origin: Acts 1998, No. 49
Effective Date: August 1, 1998

Beneficiaries: Motor vehicle dealers.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$108,000	$110,150

18. Purchases by regionally accredited independent educational institutions

This exclusion allows qualifying educational institutions to purchase or rent/lease tangible personal property or receive services without the payment of general sales tax. The exclusion does not extend to sales made by the institutions. The purpose of this exclusion is to provide financial assistance to qualifying institutions.

Legal Citation: R.S. 47:301(8)(b)
Origin: Acts 1990, No. 1064
Effective Date: July 1, 1990

Beneficiaries: Independent educational institutions.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$193,500	$197,350

19. Purchases by state and local governments

This exclusion allows all boards, agencies, or commissions of the state of Louisiana or any local authority within Louisiana to purchase or rent/lease tangible personal property, or receive services without being subject to general sales tax by excluding Louisiana state and local governments from the definition of ***person***. This exclusion was enacted after the exemptions authorized under R.S. 47:305.27, 305.29, 305.34, and 305.35 became subject to the tax. These exemptions became taxable as a result of various resolutions and acts of the Louisiana Legislature that suspended either in whole or in part most of the traditionally exempt items from the state sales tax. Exclusions from the tax have been and are currently protected from the suspension and therefore not taxable. In 1998, these duplicative exemptions were repealed leaving the exclusion as the only statutory authority. The purpose of this exclusion is to remove governmental authorities from taxation.

Legal Citation: R.S. 47:301(8)(c)
Origin: Acts 1991, No. 1029
Effective Date: September 1, 1991

Beneficiaries: All Louisiana state and local governmental authorities.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$235,394,250	$240,102,000

Note: This amount includes the total Revanue loss for purchases by state and local goverenment and sales to the U.S. Government (see #30 on page 242).

20. Purchases of certain bibles, songbooks, or literature by certain churches or synagogues for religious instructional classes

This exclusion removes “churches” and “synagogues” granted exemption by the United States Internal Revenue Service under Section 501(c)(3) of the United States Internal Revenue Code from the definition of “dealer” when they purchase bibles, songbooks, or literature used for religious instruction classes. The purpose of this exclusion is to allow financial relief to qualifying churches and synagogues.

Legal Citation: R.S. 47:301(8)(d)
Origin: Acts 1996, No. 28
Effective Date: July 1, 1996

Beneficiaries: Qualifying churches and synagogues.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$600,000	$612,000

Note: The injunction that prohibited Louisiana from granting a sales tax exclusion to religious entities was dissolved on June 11, 2003 and the United States Fifth Circuit Court of Appeals denied a rehearing of its decision on July 29, 2003. Religious entities that have been paying or collecting tax on these transactions while this suit was on appeal may now file for refunds. The Department cannot anticipate how many refund requests will be received.

21. Purchases by the Society of the Little Sisters of the Poor

This provision excludes the Society of the Little Sisters of the Poor from the definition of “person”. This allows the Society to purchase tangible personal property and services and rent/ lease tangible personal property without paying general sales tax. This exclusion is limited to the Society as a whole and does not extend to individual members. This exclusion does not apply to sales made by the Society. The purpose of this exclusion is to provide financial assistance to the Society of the Little Sisters of the Poor.

Legal Citation: R.S. 47:301(8)(e)
Origin: Acts 1998, No. 40
Effective Date: August 15, 1998

Beneficiaries: Society of the Little Sisters of the Poor.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$25,000	$25,000

Note: The injunction that prohibited Louisiana from granting a sales tax exclusion to religious entities was dissolved on June 11, 2003 and the United States Fifth Circuit Court of Appeals denied a rehearing of its decision on July 29, 2003. Religious entities that have been paying or collecting tax on these transactions while this suit was on appeal may now file for refunds. The Department cannot anticipate how many refund requests will be received.

22. Purchases of tangible personal property for lease or rental

This exclusion allows rental companies to purchase tangible personal property without paying the general sales tax if the property is to be used solely as rental property. The exclusion’s effective dates varied based on the type of property being purchased. The purpose of this exclusion is to give dealers financial relief and to make them more competitive with dealers in neighboring states that exempt the same transactions.

Legal Citations: R.S. 47:301(10)(a)(iii)
R.S. 47:301(18)(a)(iii)
Origin: Acts 1990, No. 140 and No. 1030
Effective Date: July 1, 1990

Duplicate Provision: R.S. 47:305.36 (limited to motor vehicles, trailers, and semi-trailers)

Beneficiaries: Louisiana rental dealers.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$19,008,000	$19,388,150

23. Purchases of new research equipment by a biotechnology company

This exclusion allows biotechnology companies to purchase new research equipment without the payment of general sales tax. Biotechnology companies are defined by the Act as qualified commercial biotechnology research companies identified by the North American Industry Classification System by code numbers 541710, 325412, 325414, 334516, or 339112. The purpose of this exclusion is to provide financial assistance to biotechnology start-up companies.

Legal Citation: R.S. 47:301(10)(a)(v)
Origin: Acts 2002, 1st Extraordinary Session No. 3
Effective Date: July 1, 2002
Sunset Date: June 30, 2006

Beneficiaries: Qualified biotechnology companies purchasing new research equipment

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$1,300,000	$1,326,000

24. Purchases by a motion picture production company

This exclusion allows motion picture production companies that have been granted relief under the Motion Picture Incentive Act to purchase items in connection with the filming or production of a motion picture free from the general sales tax. Applicants seeking relief under the Motion Picture Incentive Act must intend to expend in the aggregate $250,000 or more within any consecutive twelve-month period in connection with the filming or production of one or more motion pictures in the state of Louisiana. "Motion Picture" has been defined as a nationally distributed feature-length film, video, television series, or commercial made in Louisiana, in whole or in part for theatrical or television viewing or as a television pilot.

Legal Citation: R.S. 47:301(10)(a)(vi)
Origin: Acts 2002, 1st Extraordinary Session No. 5
Effective Date: July 1, 2002
Sunset Date: December 31, 2006

Beneficiaries: Motion picture production companies

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$1,530,000	$1,560,600

25. Sales through coin-operated vending machines

This exclusion allows sales of tangible personal property through vending machines to be free of sales tax. This exclusion defines the sale to the dealer for resale in a vending machine to be a ***retail sale***. The vending machine company is subject to tax on the purchase price of the property. No additional sales tax is due on the subsequent sale through the vending machine. The purpose of this exclusion is to define the taxable point of sale and to simplify the collection and reporting of the tax.

Legal Citation: R.S. 47:301(10)(b)
Origin: Acts 1978, No. 756
Effective Date: September 8, 1978

Beneficiaries: Dealers who sell their product through vending machines.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$3,210,000	$3,274,000

26. Natural gas used in the production of iron

This exclusion allows purchases of natural gas free of tax when the natural gas is used to manufacture iron using the “direct reduced iron process.” The exclusion considers the natural gas to be a material for further processing into an article of tangible personal property. The purpose of this exclusion is to provide a company or an industry an incentive to locate in Louisiana.

Legal Citation: R.S. 47:301(10)(c)(i)
Origin: Acts 1995, No. 284
Effective Date: July 1, 1995

Beneficiaries: Iron manufacturers using the “direct reduced iron process.”

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effective: Unable to anticipate; no data.

27. Electricity for chlor-alkali manufacturing process

This exclusion allows purchases of electricity free of tax when the electricity is used in the chlor-alkali manufacturing process. The chlor-alkali manufacturers are responsible for reporting the amount of electricity used to the utility company. The purpose of this exclusion is to remove chlor-alkali manufacturers from taxation on their purchases of electricity.

Legal Citation: R.S. 47:301(10)(c)(ii)
Origin: Acts 1987, No. 199
Effective Date: July 1, 1987

Beneficiaries: Chlor-alkali manufacturers.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$6,109,000	$6,231,000

28. Sales of human-tissue transplants

This exclusion allows the tax-free sale of human tissue that is to be transplanted from one individual into another recipient individual. Human-tissue transplants are defined to include all human organs, bones, skin, cornea, blood, or blood product. The purpose of this exclusion is to allow human tissue used in transplants to be excluded from sales tax.

Legal Citation: R.S. 47:301(10)(d)
Origin: Acts 1987, No. 435
Effective Date: July 9, 1987

Beneficiaries: Transplant recipients.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible (less than $10,000).

29. Sales of raw agricultural commodities

This exclusion allows the sale of raw agricultural products sold for further production of crops or animals for market to be free of general sales tax. This exclusion includes feed, seed, and fertilizer. Raw agricultural products are exempt as a resale item under R.S. 47:301(10)(a). The sales tax is collected on the sale of the finished product. This exclusion relieves the farmers from paying advance sales tax. The purpose of this exclusion is to clarify that raw agricultural commodities are not subject to sales tax.

Legal Citation: R.S. 47:301(10)(e)
Origin: Acts 1988, No. 307
Effective Date: July 7, 1988

Duplicate Provision: R.S. 47:305(A)(3)

Beneficiaries: Producers of crops and livestock.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; raw-material exclusion.

30. Sales to the United States Government and its agencies

This exclusion allows sales made directly to the government of the United States or its agencies to be excluded from tax. The Constitution of the United States forbids the same taxation. This exclusion also applies to those companies with an agency status, where title to the tangible personal property purchased transfers immediately to the government. The purpose of this exclusion is to meet the requirements of the Constitution of the United States.

Legal Citation: R.S. 47:301(10)(g)
Origin: Acts 1989, No. 833
Effective Date: September 3, 1989

Beneficiaries: The beneficiaries of this exclusion are the United States Government and their agents.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See # 19, sales tax section.

31. Sales of food items by youth organizations

This exclusion allows youth organizations chartered by Congress, such as the Boy Scouts and Girl Scouts, to sell food free of general sales tax. The purpose of this exclusion was to remove these sales from taxation.

Legal Citation: R.S. 47:301(10)(h)
Origin: Acts 1989, 2nd Ex. Sess., No. 10
Effective Date: September 8, 1989

Duplicate Provision: R.S. 47:305.14

Beneficiaries: Qualifying youth groups.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$160,000	$163,000

32. Purchases of school buses by independent operators

This exclusion allows independent school bus operators to purchase school buses that are either new or less than five years old, if the buses are used exclusively in the public school system, free of general sales tax. The purpose of this exclusion is to give relief to the independent operators who must purchase their own school buses.

Legal Citation: R.S. 47:301(10)(i)
Origin: Acts 1990, No. 724
Effective Date: July 1, 1990

Beneficiaries: Independent operators who purchase their own school buses.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$372,000	$379,500

33. Tangible personal property sold to food banks

This exclusion allows food banks, as defined under R.S. 9:2799, to purchase any tangible personal property, including food, free of general sales tax. The original act passed in 1990 only included food. In 1992, all other purchases of tangible personal property were added. The purpose of this exclusion is to give qualifying food banks greater purchasing power.

Legal Citation: R.S. 47:301(10)(j)
Origin: Acts 1990, No. 817; Amended Acts 1992, No. 514
Effective Date: September 7, 1990

Beneficiaries: Qualifying food banks.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible (less than $10,000).

34. Pollution-control devices and systems

This exclusion allows industry to purchase pollution-control equipment free of general sales tax. The purpose of this exclusion is to encourage companies to purchase and install necessary equipment to cut industrial air, noise, groundwater, and other pollution.

Legal Citation: R.S. 47:301(10)(l)
Origin: Acts 1991, No. 1019
Effective Date: September 6, 1991

Beneficiaries: Industrial facilities that purchase pollution-control equipment.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$818,365	$834,750

Note: Revised amounts obtained from refunds issued.

35. Certain aircraft assembled in Louisiana with a capacity of 50 people or more

This exclusion allows aircraft manufactured or assembled in Louisiana with a capacity of 50 people or more to be sold free of general sales tax. The purpose of this exclusion is to encourage aircraft companies to locate an assembly plant or manufacturing facility within this state.

Legal Citation: R.S. 47:301(10)(m)
Origin: Acts 1992, No. 226
Effective Date: August 21, 1992

Beneficiaries: The beneficiaries of this exclusion are aircraft manufacturing companies located in Louisiana. The state benefits by the increased economic activity.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate.

36. Pelletized paper waste used in a permitted boiler

This exclusion allows purchases of pellitized paper waste for the exclusive use as combustible fuel by an electric utility or in an industrial manufacturing, processing, compounding, reuse, or production process, including the generation of electricity or process steam to be made free of the general sales tax. The purpose of this exclusion is to encourage the use of pelletized paper waste in boilers.

Legal Citation: R.S. 47:301(10)(n)
Origin: Acts 1992, No. 926
Effective Date: July 1, 1993

Beneficiaries: Industries that convert boiler equipment to use pelletized paper waste as fuel.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate, no data.

37. Purchases of equipment by bona fide volunteer and public fire departments

The original provision allowed bona fide volunteer fire departments to purchase equipment used in fire fighting without the payment of general sales tax. In 1998, Act 37 added public fire departments to the provision. Public fire departments are currently excluded from taxation under the governmental exclusion on all purchases, including non fire-fighting equipment. In addition, many fire departments named "volunteer" are actually fire protection districts and excluded from taxation under the governmental exclusions. This exclusion was enacted after the exemption authorized under R.S. 47:305.12 became subject to the tax. This exemption became taxable as a result of various resolutions and acts of the Louisiana Legislature that suspended either in whole or in part most of the traditionally exempt items from the state sales tax. Exclusions from the tax have been and are currently protected from the suspension and therefore not taxable. In 1998, the duplicative exemption, R.S. 47:305.12, was repealed leaving the exclusion as the only statutory authority. The purpose of this exemption is to provide financial assistance to fire departments.

Legal Citation: R.S. 47:301(10)(o)
Origin: Acts 1992, No. 926; Amended by Acts 1998, No. 37
Effective Date: July 1, 1992

Beneficiaries: Bona fide volunteer and public fire departments.

Administration: The purpose of this exclusion was achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$170,000	$174,000

38. Sales of telephone directories by advertising companies

This exclusion allows advertising companies who are not affiliated with telephone service providers to transfer title or possession of telephone directories free from the state sales or use tax if the telephone directories will be distributed free of charge to the recipients.

Legal Citation: R.S. 47:301(10)(t)
Origin: Acts 2002, Regular Session No. 58
Effective Date: June 25, 2002

Beneficiaries: Advertising companies distributing telephone directories

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$42,000	$42,000

39.Sales of cellular telephones and electronic accessories

This exclusion from state and local sales and use tax applies to the withdrawal, use, distribution, consumption, storage, donation, or disposition of cellular, PCS, or wireless telephones when provided in conjunction with the sale of a cellular service contract. For periods beginning after January 1, 2002, the term "sales price" shall mean and include the greater of (i) the amount of money actually received by the dealer from the purchaser for each such telephone, or (ii) 25 percent of the cost of such telephone to the dealer, but shall not include any amount received by the dealer from the purchaser for providing mobile telecommunications services or any commissions, fees, rebates, or other amounts received by the dealer from any source other than the purchaser as a result of or in connection with the sale of the telephone.

On July 24, 2002, the Nineteenth Judicial District Court, Parish of East Baton Rouge, granted an injunction prohibiting the application and enforcement of Act 85 of the 2002 Regular Legislative Session.

Legal Citation:	R.S. 47:301(10)(v), (13)(g) and (18)(i)
Origin:	Acts 2002, Regular Session No. 85
Effective Date:	June 28, 2002

Beneficiaries: Cellular, PCS, or wireless telephone service providers

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-03	**FYE 6-04**
Not in Effect	Not in Effect

40. Articles traded in on tangible personal property

This exclusion allows credits for trade-ins of like property to be free of general sales tax. The trade-in credits are excluded from the definition of ***sales price***. This exclusion was enacted after the exemption authorized under R.S. 47:305(C)(1) became subject to the tax. This exemption became taxable as a result of various resolutions and acts of the Louisiana Legislature that suspended either in whole or in part most of the traditionally exempt items from the state sales tax. Exclusions from the tax have been and are currently protected from the suspension and therefore not taxable. In 1998, the duplicative exemption, R.S. 47:305(C)(1), was repealed leaving the exclusion as the only statutory authority. The purpose of this exclusion is to effect a reduction in the taxable sales price for consumers.

Legal Citation:	R.S. 47:301(13)(a)
Origin:	Acts 1989, 2nd Ex. Sess., No. 14
Effective Date:	August 1, 1989

Beneficiaries: Any persons or businesses that purchase tangible personal property utilizing trade-ins.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

41. First $50,000 of new farm equipment used in poultry production

This exclusion allows farmers engaged in poultry production relief from the general sales tax on the first $50,000 of equipment purchased for use in poultry production. The purpose of this exclusion is to extend to poultry farmers similar tax relief extended to other farmers under R.S. 47:305.25 [See number 115, Sales Tax Section].

Legal Citation: R.S. 47:301(13)(c)
Origin: Acts 1991, No. 388
Effective Date: July 8, 1991

Beneficiaries: Poultry farmers.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$150,000	$153,000

42. Admission to athletic or entertainment events by educational institutions and membership dues of certain nonprofit civic organizations

This exclusion allows the tax-free sale of tickets for admission to all athletic events by schools, colleges, and universities. In 1976, this exclusion was amended by Act 481 to also exclude the membership dues for access to the facilities of nonprofit civic organizations, such as the Young Men's Christian Association (YMCA), Young Women's Christian Association (YWCA), Catholic Youth Organization (CYO), etc. The purpose of this exclusion is to provide financial assistance to qualifying organizations.

Legal Citation: R.S. 47:301(14)(b)(i)
Origin: Acts 1948, No. 9
Amended Acts 1976, No. 481
Effective Date: June 7, 1948

Beneficiaries: Schools and nonprofit organizations.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$2,143,000	$2,186,000

43. Admissions to museums

This exclusion allows tax-free admissions to museums. The exclusion defines ***place of amusement*** to not include museums. This change was made in 1989, but Act 172, in 1991, declared this exclusion to be retroactive prior to September 3, 1989. Act 172 further stated that no refund would be considered for periods prior to January 1, 1990. The purpose of this exclusion is to provide financial assistance to museums.

Legal Citation: R.S. 47:301(14)(b)(ii)
Origin: Acts 1989, No. 796
Amended Acts 1991, Act 172
Effective Date: September 3, 1989

Beneficiaries: Museums, which include planetariums, aquariums, and natural history and art museums.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,180,000	$1,203,600

44. Admission to places of amusement at camp and retreat facilities for religious purposes

This provision excludes camp and retreat facilities owned and operated for religious purposes by nonprofit religious organizations from the definition of “places of amusements”. The qualifying admission charge must be associated with the attendance of an organized religious event held at the facility. Admission charges to persons for non religious events do not qualify for the exclusion. The purpose of this exclusion is to clarify the tax due at traditional religious camp retreats.

Religious camp retreats have a similar exclusion for room rentals under R.S. 47:301(6)(b).

Legal Citation: R.S. 47:301(14)(b)(iv)
Origin: Acts 1998, No. 40
Effective Date: August 15, 1998

Related Exclusion: R.S. 47:301(6)(b)

Beneficiaries: Traditional religious camp retreats.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible (less than $10,000)

Note: The injunction that prohibited Louisiana from granting a sales tax exclusion to religious entities was dissolved on June 11, 2003 and the United States Fifth Circuit Court of Appeals denied a rehearing of its decision on July 29, 2003. Religious entities that have been paying or collecting tax on these transactions while this suit was on appeal may now file for refunds. The Department cannot anticipate how many refund requests will be received.

45. Repair services performed in Louisiana when the repaired property is exported

This exclusion allows Louisiana dealers to repair tangible personal property from other states tax-free, if the property is delivered back to the other state by the Louisiana dealer or by common carrier. The purpose of this exclusion is to allow Louisiana dealers to be competitive with dealers in neighboring states.

Legal Citation: R.S. 47:301(14)(g)(i)
Origin: Acts 1977, 1st Ex. Sess., No. 17
Effective Date: July 1, 1978

Beneficiaries: Louisiana repair shops located near the boundaries of the neighboring states.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$3,210,000	$3,274,000

46. Interstate telecommunications services purchased by defined call centers

This exemption allows defined call centers to purchase interstate telecommunication services free from the general sales tax for the period April 1, 2001 through June 30, 2003. Effective July 1, 2003 call centers will be subject to the telecommunications tax for interstate communication services, with a limitation of $25,000 per year for “direct pay” holders. This exemption will not apply to call centers purchasing mobile telecommunication services.

The purpose of this exclusion is to prohibit the taxation of interstate telecommunication services when purchased by a defined call center.

Legal Citation: R.S. 47:301(14)(i)(ii)(cc)
Origin: Acts 2000, No. 22 Amended by Acts 2001, No. 1175
Effective Date: April 1, 2001

Beneficiaries: Defined Call Centers

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
253,000	177,000

47. Telecommunication services through coin-operated telephones

This exclusion allows communication through coin-operated telephones to be excluded from the telecommunication tax under general sales tax. The charges for the use of coin-operated telephones are excluded from the definition of ***telecommunication services***. The telecommunication tax is only assessed at a general sales tax rate of three percent. The purpose of this exclusion is to prohibit the taxation of coin-operated telephone calls.

Legal Citation:	R.S. 47:301(14)(i)(iii)(aa)
Origin:	Acts 1990, No. 388
Effective Date:	August 1, 1990

Beneficiaries: People who use coin-operated telephones.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

48. Telecommunication services through interstate telephone calls.

This exclusion was repealed by Acts 2000, No. 22, effective April 1, 2001, which levied the new tax on amounts paid for interstate telecommunication services that either originate or terminate in the state and are charged to a service address in the state regardless of where the amounts are billed or paid.

Previously, this exclusion allowed interstate telephone calls to be excluded from the definition of telephone services and therefore not subject to three percent communication tax.

Effective April 1, 2004 the tax rate on interstate telecommunications is reduced to 2 percent.

Legal Citation:	R.S. 47:301(14)(i)(iii)(cc)
Origin:	Acts 1990, No. 388
Effective Date:	August 1, 1990 Repealed by Acts 2000, No. 22 effective April 1, 2001

Beneficiaries: People who made out-of-state telephone calls.

Administration: The purpose of this exclusion was achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Repealed	Repealed

49. Miscellaneous telecommunications services

This exclusion allows charges for certain taxes and services for resale to be excluded from the definition of telecommunication services and state sales tax. The telecommunication tax is assessed at a rate of three percent. The purpose of this exclusion is to define what charges for telecommunications are not subject to tax.

Legal Citation: R.S. 47:301(14)(i)(iii)(bb)
R.S. 47:301(14)(i)(iii)(dd)
Origin: Acts 1990, No. 388
Amended by Acts 1998, No. 58
Amended by Acts 2001, No. 1175
Effective Date: August 1, 1990

Beneficiaries: All persons or companies using telecommunication services.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

50. Coin bullion with a value of $1,000 or more

This exclusion allows transactions involving gold, silver, or other numismatic coin with a total value over $1,000 to be free of general sales tax. This exclusion was enacted after the exemption authorized under R.S. 47:305.24 became subject to the tax. This exemption became taxable as a result of various resolutions and acts of the Louisiana Legislature that suspended either in whole or in part most of the traditionally exempt items from the state sales tax. Exclusions from the tax have been and are currently protected from the suspension and therefore not taxable. In 1998, the duplicative exemption, R.S. 47:305.24, was repealed leaving the exclusion as the only statutory authority. The purpose of this exclusion is to provide for tax-free sales of monitized bullion.

Legal Citation: R.S. 47:301(16)(b)(ii)
Origin: Acts 1991, No. 292
Effective Date: July 1, 1991

Beneficiaries: Dealers and purchasers of gold bullion.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$204,000	$208,000

51. Certain geophysical survey information and data analyses

This exclusion allows geophysical information and data provided under a restricted-use agreement to be free of sales tax. This exclusion excludes these transactions from the definition of ***tangible personal property***. The Department had already concluded that these transactions did not constitute an exchange of tangible personal property and was therefore not subject to tax. The purpose of this exclusion is to clarify that tax is not due on geophysical surveys.

Legal Citation: R.S. 47:301(16)(b)(iii)
Origin: Acts 1988, No. 355
Effective Date: July 7, 1988

Beneficiaries: Oil exploration and geophysical survey companies.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; not taxable.

52. Work product of certain professionals

This provision excludes the work product of licensed or regulated professionals under Title 37. The work product of these professionals which are written on paper, stored on magnetic or optical media, or transmitted by electronic device, such as tax returns and wills, that is created in the normal course of business is excluded from the definition of tangible personal property. This exclusion specifically does not apply to work products that consist of the creation, modification, updating, or licensing of computer software. The exclusion covers accountants for preparation of tax returns and attorneys for preparation of wills. The taxing authorities of the state and local governments have not attempted to tax the work product addressed in this exclusion. The taxing authorities have been taxing the sale of computer software that is not included in this exclusion. The purpose of this exclusion is to insure that governmental entities do not attempt to tax the work product of Title 37 professionals.

Legal Citation: R.S. 47:301(16)(e)
Origin: Acts 1998, No. 46
Effective Date: June 24, 1998

Beneficiaries: Professionals under Title 37.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Impact: $0; nontaxable service.

53. Pharmaceuticals administered to livestock for agricultural purposes

This exclusion allows pharmaceuticals to be sold or purchased free from sales tax when administered to livestock that are used for agricultural purposes. Pharmaceuticals must be registered with the Louisiana Department of Agriculture and Forestry to qualify. This exclusion duplicates provisions of other exclusions and exemptions.

Legal Citation: R.S. 47:301(16)(f)
Origin: Acts 2000, No. 33
Effective Date: July 1, 2000

Beneficiaries: Livestock farmers.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Estimated to be nominal.

54. Used manufactured homes and 54 percent of cost of new manufactured homes

This exclusion provides that used manufactured homes and 54 percent of the cost of new manufactured homes can be purchased free from sales tax. A "manufactured home" means a structure as defined in Section 5402 of Title 42 of the United States Code.

Legal Citation: R.S. 47:301(16)(g)
Origin: Acts 2000, No. 30 Amended by Acts 2001, No. 1212
Effective Date: July 1, 2001

Beneficiaries: Individuals that purchase new and used manufactured homes.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$4,357,000	$4,444,150

Note: A revision of the prior year estimates is based on recent data obtained from the Office of Motor Vehicles.

55. Purchases of certain custom computer software

This exclusion, phased in over four-years, excludes custom computer software from the definition of tangible personal property. The percentage excluded from the cost price of custom software is 25% in the first year, increasing by 25% each fiscal year until fully exempt on June 30, 2005. In order to be considered "custom computer software", the computer software must require preparation, creation, adaptation, or modification by the vendor in order to be used in a specific work environment or to perform a specific function for the user.

Legal Citation:	R.S. 47:301(16)(h), (22) and (23)
Origin:	Acts 2002, 1st. Extraordinary Session No. 7
Effective Date:	July 1, 2002

Beneficiaries: Dealers and consumers of custom computer software

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$5,000,000	$7,500,000

56. Certain digital television and digital radio conversion equipment

This exclusion allows individual taxpayers that hold a Federal Communications Commission license issued pursuant to 47 CFR Part 73, to purchase digital television and digital radio conversion equipment free from the general sales and use tax. Acts 2002, No. 61 specifically defines the items that qualify for the exclusion. The exclusion only applies to the first purchase of each enumerated item. A credit is available for purchases subsequent to January 1, 1999 and prior to the effective date of this Act.

Although the Act provides for it, the exclusion for purchases made by taxpayers holding Federal Communications Commission radio broadcast licenses issued pursuant to 47 CFR Part 73 shall not apply until such time as the Federal Communications Commission mandates a radio conversion to digital broadcasting.

Legal Citation:	R.S. 47:301(16)(i)
Origin:	Acts 2002, No. 61
Effective Date:	June 25, 2002
Sunset Date:	When the Federal Communications Commission has issued an order mandating license holders, issued pursuant to 47 CFR Part 73 to discontinue broadcasting their analog signal.

Beneficiaries: Taxpayers mandated by FCC to convert to digital broadcasting

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$610,000	$622,000

57. Materials used directly in the collection of blood

This exclusion allows nonprofit blood banks and nonprofit blood collection centers to purchase materials used directly in the collection, separation, treatment, testing, and storage of blood free from the general sales tax.

Legal Citation: R.S. 47:301(16)(j)
Origin: Acts 2002, No. 70
Effective Date: July 1, 2002

Beneficiaries: Nonprofit blood banks and nonprofit blood collection centers

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$600,000	$600,000

58. Apheresis kits and leuko reduction filters

This exclusion allows nonprofit blood banks and nonprofit blood collection centers to purchase apheresis kits and leuko reduction filters free from the general sales tax.

Legal Citation: R.S. 47:301(16)(k)
Origin: Acts 2002, No. 71
Effective Date: July 1, 2002

Beneficiaries: Nonprofit blood banks and nonprofit blood collection centers

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$175,000	$175,000

59. Donations to certain schools and food banks from resale inventory

The original exclusion allows a retailer to donate resale inventory to certain schools without having to pay ***use tax*** on the donated property. The schools must meet the definition in R.S. 17:326 or be a school of higher education. An additional provision was added in 1998 by Act 22 to exclude use tax on food items donated to food banks as defined under R.S. 9:2799(B), effective July 1, 1998. The purpose of this exclusion is to encourage the donation of resale inventory to certain schools and Food Banks.

Legal Citation:	R.S. 47:301(18)(a)(i)
Origin:	Acts 1987, No. 326 Amended by Acts 1998, No. 22; Amended by Acts 2000, No. 44
Effective Date:	July 1, 1987

Beneficiaries: Retailers that donate to schools and food banks and the schools and food banks that receive the donations.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

60. Use tax on residue or byproducts consumed by the producer

This exclusion excludes from the definition of "use" any residue or by-product created as part of a manufacturing/refining process, except refinery gas, which is used by the producer of the property. The use tax value of refinery gas is under R.S. 47:301(f). Sales of refinery gas are subject to tax under R.S. 47:301(13)(d).

Legal Citation:	R.S. 47:301(18)(d)(ii)
Origin:	Acts 1996, No. 29
Effective Date:	July 2, 1996

Beneficiaries: Manufacturers or refineries of refinery gas and byproducts that are produced as part of their process.

Administration: It is not known if the purpose of this exemption is being achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

61. Advertising services

This exclusion allows advertising services by an advertising agency to be free from state and local sales or use tax. This exclusion applies to advertising services and to tangible personal property sold if advertising services constitute a major part of the tangible personal property produced. It does not apply to the transfer of mass-produced advertising items by an advertising business that involves furnishing minimal services by the advertising business. Prior to the exclusion, the Department did not consider pure advertising services to be taxable. The Act creating this exclusion was passed in 1987, but was declared effective for services after January 1, 1982. The purpose of this exclusion was to clarify the taxability of advertising services and the property transferred to clients.

Legal Citation:	R.S. 47:302(D)
Origin:	Acts 1987, No. 869
Effective Date:	January 1, 1982

Beneficiaries: Advertising agencies and their customers.

Administration: The purpose of this exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; nontaxable service.

Exemptions

62. Purchases by nonprofit electric cooperatives

This exemption allows nonprofit electric cooperatives to purchase tangible property without the payment of sales tax. The original legal citation was R.S.□12:325, but was renumbered in 1968 to R.S.□12:425 by Act 105. The purpose of this exemption is to assist in providing electrical-utility service to rural areas, since investor-owned utility companies are not allowed a comparable exemption.

Legal Citation:	R.S.□12:425
Origin:	Acts 1940, No. 266 Amended by Acts 1968, No. 105
Effective Date:	July 21, 1940

Beneficiaries: Rural electric cooperatives.

Administration: The exemption has caused problems when the cooperatives tried to pass the exemption through to construction contractors using agency agreements. This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$4,848,200

63. Purchases by a public trust

This exemption allows bulk purchases of materials, supplies, vehicles, and equipment by a public trust free of general sales tax. The purchases must be made on behalf of the public trust. The purpose of this exemption is to provide assistance to public entities.

Legal Citation:	R.S.□38:2212.4
Origin:	Acts 1989, No. 780 (Redesignated from R.S. 38:2212.3 to R.S. 38:2212.4 pursuant to Acts 1999 No. 768.)
Effective Date:	July 9, 1989

Beneficiaries: Public trusts.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0, resale to government entities.

64. Sales by state-owned domed stadiums

This exemption allows tax-free sales to be made within state-owned domed stadiums with a seating capacity of at least 70,000. This exemption covers sales of souvenirs and refreshments, parking fees, and guided tours. This exemption does not extend to sales of tangible personal property through trade shows or similar events. The purpose of this exemption is to provide financial assistance to qualifying stadiums.

Legal Citation:	R.S.□39:467
Origin:	Acts 1985, No. 2
Effective Date:	May 23, 1985

Beneficiaries: Certain state-owned domed stadiums and the vendors operating within them.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,284,000	$1,309,700

65. Sales by certain publicly-owned facilities

This exemption allows tax-free sales by certain publicly-owned facilities. This exemption applies to any qualified facility owned by any state or local subdivision. In order to qualify, the local taxing authorities must provide a similar exemption from all local sales taxes. The exemption covers sales of souvenirs and refreshments, parking fees, and guided tours. The exemption does not extend to sales of tangible personal property through trade shows or similar events. The purpose of this exemption is to provide financial assistance to qualifying facilities.

Legal Citation: R.S.□39:468
Origin: Acts 1985, No. 2
Effective Date: May 23, 1985

Beneficiaries: Certain publicly-owned facilities and the vendors operating within them.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

66. Sales of farm products directly from the farm

This exemption allows the tax-free sale of livestock, poultry, and other farm products if sold directly by the producer. This exemption includes sales by farmers, livestock producers, nurserymen, and other producers of farm products. Most sales by qualified producers are to wholesalers, but some producers sell their products directly to the consumer. The purpose of this exemption is to relieve the producer of the burden for charging and remitting sales tax.

Legal Citation: R.S.□47:305(A)(1)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: Producers of farm products.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$311,000	$317,000

67. Racehorses claimed at races in Louisiana

This exemption allows the tax-free sale of racehorses entered in races and claimed (sold) at any meet in Louisiana, or sold through any public sale sponsored by any breeders, registry association, or livestock auction market. The purpose of this exemption is to provide financial assistance to the breeders association, registry associations, racetracks, and public sales of racehorses.

Legal Citation: R.S. 47:305(A)(2)
Origin: Acts 1979, No. 796
Effective Date: September 7, 1979

Beneficiaries: Racetracks and breeding and registry associations.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$645,800

68. Feed and feed additives for animals held for business purposes

This exemption allows tax-free sales of feed and feed additives for the purpose of sustaining animals primarily for commercial, business, or agricultural use. The exemption does not apply to food for pets or hunting dogs. The purpose of this exemption is to provide financial relief from the use tax imposed on feed for animals held for business purposes.

Legal Citation: R.S. 47:305(A)(4)
Origin: Acts 1986, No. 677
Effective Date: August 30, 1986

Beneficiaries: Persons or companies that feed animals for commercial, business, or agricultural use.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect: Unable to anticipate; no data.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Unable to Anticipate

69. Materials used in the production or harvesting of crawfish

This exemption allows tax-free sales of materials, supplies, equipment, fuel, bait, and related items, other than vessels, when used in the production or harvesting of crawfish. This exemption is not limited to commercial farmers. The exemption includes a ***good faith*** clause that requires the vendor to use due care when accepting this exemption certificate. The purpose of this exemption is to provide financial assistance to crawfish farmers.

Legal Citation: R.S.□47:305(A)(5)
Origin: Acts 1987, No. 364
Effective Date: September 1, 1987

Beneficiaries: Producers and harvesters of crawfish.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$1,259,175

70. Materials used in the production or harvesting of catfish

This exemption allows tax-free sales of materials, supplies, equipment, fuel, bait, and related items, other than vessels, when used in the production or harvesting of catfish. This exemption is not limited to commercial farmers. The exemption includes a ***good faith*** clause that requires the vendor to use due care when accepting this exemption certificate. The purpose of this exemption is to provide financial assistance to catfish farmers.

Legal Citation: R.S.□47:305(A)(6)
Origin: Acts 1988, No. 948
Effective Date: September 1, 1988

Beneficiaries: Producers and harvesters of catfish.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$936,275

71. Farm products produced and used by farmers

This exemption allows farmers and their families to consume the products, grown primarily to be sold, without paying a use tax. The exemption applies to livestock, poultry, and agricultural products. The purpose of this exemption is to provide financial assistance to farmers.

Legal Citation: R.S. 47:305(B)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: Farmers and their families.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$77,500	$79,000

72. Sales of gasoline

This exemption allows the sale of gasoline to be exempt when sold in Louisiana. Article VII, Section 27 of the Louisiana Constitution extends an exclusion for gasoline sold that has been subject to a Louisiana road use tax [See number 149, Sales Tax Section]. This exemption therefore exempts only gasoline sold where the road use tax has not been levied. The purpose of this exemption is to reduce the tax due by consumers.

Legal Citation: R.S. 47:305(D)(1)(a)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: Consumers of gasoline for off-road use.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Unable to anticipate

73. Sales of steam

This exemption allows the tax-free sale of steam. The purpose of this exemption is to provide tax relief to industrial users of steam.

Legal Citation: R.S.□47:305(D)(1)(b)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: Industrial users of steam.

Administration: This exemption has been suspended at the rate of 3.9 percent for the period 7/1/02 – 6/30/03. The rate of tax will be reduced again on July 1, 2003, from 3.9 percent to 3.8 percent.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Negligible	Negligible

74. Sales of water

This exemption allows the tax-free sale of water sold other than in containers. The purpose of this exemption is to benefit the users of water utility services.

Legal Citation: R.S.□47:305(D)(1)(c)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: Users of water utility services.

Administration: This exemption has been suspended at the rate of 3.9 percent for the period 7/1/02 – 6/30/03. The rate of tax will be reduced again on July 1, 2003, from 3.9 percent to 3.8 percent. However, with the passing of the constitutional amendment on November 5, 2002 the tax rate on sales of water to residential consumers is reduced to 2 percent on January 1, 2003 and then fully excluded effective July 1, 2003.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$6,506,050	$14,633,550

75. Sales of electric power or energy

This exemption allows the tax-free sale of electricity. In 1980, Act 159 expanded the exemption to include any material or fuel used to generate electric power. In 1984, Act 183 limited the exemption to material or fuel used to generate electric power to be resold or electric power in industrial manufacturing plants used for consumption or cogeneration. The purpose of this exemption was to benefit the users of electrical utility services.

Legal Citation: R.S.□47:305(D)(1)(d)
Origin: Acts 1948, No. 9
Amended by Acts 1980, No. 159,
Acts 1984, No. 183
Effective Date: June 7, 1948

Beneficiaries: Users of electrical utility services and industrial manufacturing plants that generate their own electricity.

Administration: This exemption has been suspended at the rate of 3.9 percent for the period 7/1/02 – 6/30/03. The rate of tax will be reduced again on July 1, 2003, from 3.9 percent to 3.8 percent. However, with the passing of the constitutional amendment on November 5, 2002 the tax rate on sales of electricity to residential consumers is reduced to 2 percent on January 1, 2003 and then fully excluded effective July 1, 2003.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$84,578,740	$190,236,050

76. Sales of newspapers

This exemption allows the tax-free sale of newspapers. As a result of the court case *Arkansas vs. Arkansas Writers*, the definition of newspapers has been expanded to include general information publications with second-class mailing privileges, which includes various magazines. The purpose of this exemption is to benefit the consumers of newspapers.

Legal Citation: R.S.□47:305(D)(1)(e)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: Consumers who purchase newspapers and magazines.

Administration: The question of what may be included in the definition of ***newspapers*** has been a recurring problem. The possibility of infringing on the freedom of the press has served to increase the items eligible for this exemption. This exemption is suspended and is taxable at 4 percent through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	2,811,900

77. Sales of fertilizers and containers to farmers

This exemption allows tax-free sales of fertilizers and containers for farm products if sold directly to the commercial farmer. Fertilizers and containers were already exempt as a resale item under R.S.□47:301(10)(a). Repeal of this exemption alone would not cause this transaction to be taxable. The raw material exclusion would have to be amended to define fertilizers and containers sold for resale as taxable. The purpose of this exemption is to clarify that fertilizers and containers are not taxable as a raw material.

Legal Citation: R.S.□47:305(D)(1)(f)
Origin: Acts 1948, No. 9
Effective Date: June 7, 1948

Beneficiaries: Commercial farmers.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0, raw material.

78. Sales of natural gas

This exemption allows tax-free sales of natural gas. In 1985, Act 258 added refinery gas to the exemption. In 1990, Act 476 deleted refinery gas effective July 18, 1990. The purpose of this exemption is to provide financial assistance to individuals and businesses utilizing natural gas.

Legal Citation: R.S.□47:305(D)(1)(g)
Origin: Acts 1948, No. 9
Amended by Acts 1985, No. 258,
Acts 1990, Act 476
Effective Date: June 7, 1948

Beneficiaries: Individuals and businesses utilizing natural gas.

Administration: This exemption has been suspended at the rate of 3.9 percent for the period 7/1/02 – 6/30/03. The rate of tax will be reduced again on July 1, 2003, from 3.9 percent to 3.8 percent. However, with the passing of the constitutional amendment on November 5, 2002 the tax rate on sales of natural gas to residential consumers is reduced to 2 percent on January 1, 2003 and then fully excluded effective July 1, 2003.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$39,036,345	$87,801,250

79. Energy sources used as boiler fuel, except refinery gas

This provision allows an exemption for all energy sources to be used as boiler fuel, except refinery gas. Prior to July 1, 1996, the statute included the cost formula for the valuation of refinery gas. Act 29 of the 1996 Regular Session reenacted the statute leaving only the boiler fuel exemption and included a sunset date of June 30, 1998 for this exemption. The act also included an exclusion for use of a residual or by-product created or derived from the processing of a raw material under R.S. 47:301(18)(d)(ii) [See number 60, Sales Tax Section]. The use of these residual or byproducts in a boiler would be excluded from the sales tax only when used by the producer. The cost formula for the valuation of refinery gas was moved to R.S. 47:301(3)(f) [See number 142, Sales Tax Section]. Act 4 of the 2002 Regular Session extended the sunset date of this exemption to June 30, 2004. The purpose of this exemption is to provide a benefit to industries utilizing boilers in their operations.

Legal Citation: R.S. 47:305(D)(1)(h)
Origin: Acts 1973, Ex. Sess., No. 13 Amended by Acts 1996, No. 29; Acts 1998, No. 21: Acts 2000, No. 28; Acts 2002, No. 4
Effective Date: January 1, 1974

Comparable Provision: R.S. 47:301(18)(d)(ii)

Beneficiaries: Any business that uses an energy source in a boiler fuel, except residual or byproducts or refinery gas.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Impact: Unable to anticipate; no data.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Unable to anticipate

80. Trucks, automobiles, and new aircraft removed from inventory for use as demonstrators

This statute originally exempted only new trucks and automobiles removed from inventory by dealers when used as demonstrators. In 1974, Act 186 expanded the exemption to include new aircraft removed from inventory by dealers. In 1987, Act 847 further expanded the exemption to include used trucks and automobiles removed from inventory by dealers. Demonstrator units are required to be on the dealers' premises during regular business hours to qualify for the exemption. The purpose of this exemption is to provide financial assistance to truck, automobile, and aircraft dealers.

Legal Citation: R.S.□47:305(D)(1)(i)
Origin: Acts 1962, No. 182 Amended by Acts 1974, No. 186; Acts 1987, No. 847
Effective Date: August 1, 1962

Beneficiaries: Truck, automobile, and aircraft dealers.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$709,900

81. Drugs prescribed by physicians or dentists

This statute originally exempted only drugs prescribed by a physician. In 1974, the exemption was expanded to include drugs prescribed by a dentist. This exemption allows drugs dispensed to patients by hospitals under orders of the physician to be purchased tax free. In 1985, Act 901 defined drugs under R.S.□47:301(20) to include all pharmaceuticals and medical devices. The inclusion of medical devices added a new exempt classification and greatly increased the fiscal effect of this exemption. The purpose of this exemption is to provide financial assistance to consumers.

Legal Citation: R.S.□47:305(D)(1)(j)
Origin: Acts 1973, Ex. Sess., No. 13
Effective Date: January 1, 1974

Beneficiaries: Individuals who purchase prescription drugs and hospitals.

Administration: Recent rulings by the Board of Tax Appeals and the courts have interpreted this exemption broadly and have hampered the administration of this exemption in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$231,293,700	$235,919,575

82. Orthotic and prosthetic devices, wheelchairs and wheelchair lifts, and patient aids prescribed by physicians

This statute originally allowed the tax-free sale of orthotic devices, prosthetic devices, wheelchairs, and patient aids prescribed by physicians for personal use or consumption. Act 495, effective July 15, 1991, expanded the exemption to include wheelchair lifts. This exemption allows these items dispensed to patients by hospitals under orders from physicians to be purchased tax free. The purpose of this exemption is to provide financial assistance to individuals who must purchase this equipment.

Legal Citations: R.S.□47:305(D)(1)(k)
R.S. 47:305(D)(1)(m)
Origin: Acts 1974, No. 186
Amended by Acts 1991, No. 495
Effective Date: July 31, 1974

Beneficiaries: Individuals who purchase qualifying devices.

Administration: Recent rulings by the Board of Tax Appeals and the courts have interpreted this exemption broadly and have hampered the administration of this exemption in a fiscally effective manner.

Estimated Fiscal Effect: See number 81, Sales Tax Section.

83. Orthotic and prosthetic devices, wheelchairs and wheelchair lifts, and patient aids prescribed by licensed chiropractors

This statute originally allowed the tax-free sale of orthotic devices, prosthetic devices, wheelchairs, and patient aids prescribed by a licensed chiropractor for personal use or consumption. Act 495, effective July 15, 1991, expanded the exemption to include wheelchair lifts. The purpose of this exemption is to provide financial assistance to individuals who must purchase this equipment.

Legal Citations:	R.S.□47:305(D)(1)(k) R.S. 47:305(D)(1)(m)
Origin:	Acts 1983, No. 673 Amended by Acts 1991, No. 495
Effective Date:	July 1, 1984

Beneficiaries: Individuals who purchase qualifying devices.

Administration: Recent rulings by the Board of Tax Appeals and the courts have interpreted this exemption broadly and have hampered the administration of this exemption in a fiscally effective manner.

Estimated Fiscal Effect: See number 81, Sales Tax Section.

84. Ostomy, colostomy, and ileostomy devices and equipment

This exemption allows tax-free sales of ostomy, colostomy, and ileostomy devices and equipment, including catheters. The purpose of this exemption is to provide financial assistance to individuals required to purchase this medical equipment.

Legal Citation:	R.S.□47:305(D)(1)(l)
Origin:	Acts 1978, No. 652
Effective Date:	January 1, 1979

Beneficiaries: Individuals purchasing this medical equipment.

Administration: Recent rulings by the Board of Tax Appeals and the courts have interpreted this exemption broadly and have hampered the administration of this exemption in a fiscally effective manner.

Estimated Fiscal Effect: See number 81, Sales Tax Section.

85. Sales of food for preparation and consumption in the home, and food sales by certain institutions

This exemption allows tax-free sales of food for preparation and consumption in the home, but does not include sales of single-serving portions or prepared food sold to the general public. Meals furnished to staff and students of educational institutions, the staff and patients of hospitals and mental institutions, and boarders in rooming houses are also exempted if the facility does not serve food to the general public. The purpose of this exemption is to provide financial relief to the general public on food purchases and to the staff and patients/boarders of certain institutions.

Legal Citations:	R.S.47:305(D)(1)(n)-(r) R.S. 47:305(D)(2)
Origin:	Acts 1973, Ex. Sess., No. 13
Effective Date:	January 1, 1974

Beneficiaries: The general public and certain institutions.

Administration: This exemption has been suspended at the rate of 3.9 percent for the period 7/1/02 – 6/30/03. However, with the passing of the constitutional amendment on November 5, 2002 that phases out sales tax on this item the rate of tax is reduced to 2 percent on January 1, 2003 and then fully excluded effective July 1, 2003.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$208,087,400	$212,249,150

86. Patient medical devices used in the treatment of a disease prescribed by a physician

The original provision allowed for devices used personally and exclusively by the patient in the medical treatment of various diseases under the supervision of and prescribed by a registered physician. In 1998, additional language concerning how the medical device may be administered to the patient was added. The new language allows for medical devices that are administered exclusively to the patient by a physician, nurse, or other health care professional or health care facility, in addition to the patient's use of the medical device to be exempt. The purpose of this exemption is to provide financial assistance to patients and medical centers when medical devices are used.

Legal Citation:	R.S. 47:305(D)(1)(s)
Origin:	Acts 1985, No. 901 Amended by Acts 1998, No. 38
Effective Date:	September 1, 1985

Beneficiaries: Patients, under the care of a physician, purchasing medical devices and medical centers administering medical devices to patients.

Administration: Recent rulings by the Board of Tax Appeals and the courts have interpreted this exemption broadly and have hampered the administration of this exemption in a fiscally effective manner.

Estimated Fiscal Effect: See number 81, Sales Tax Section.

87. Dental orthotic and prosthetic devices, prostheses, and restorative materials

This exemption allows the tax-free sale of orthotic devices, prosthetic devices, prostheses, and restorative materials utilized by or prescribed by a dentist in connection with health-care treatment or for personal consumption or use. These devices are also exempt under R.S. 47:305(D)(1)(k) [See number 81, Sales Tax Section]. The purpose of this exemption is to provide financial assistance to individuals purchasing this equipment.

Legal Citation:	R.S. 47:305(D)(1)(t)
Origin:	Acts 1991, No. 1065
Effective Date:	August 1, 1991

Beneficiaries: Individuals purchasing qualifying equipment.

Administration: Recent rulings by the Board of Tax Appeals and the courts have interpreted this exemption broadly and have hampered the administration of this exemption in a fiscally effective manner.

Estimated Fiscal Effect: See number 81, Sales Tax Section.

88. Adaptive driving equipment and motor vehicle modification

This provision allows for the tax-free purchase of adaptive driving equipment and modifications to motor vehicles when prescribed by a physician, a licensed chiropractor, or a driver rehabilitation specialist licensed by the state. The purpose of this exemption is to provide financial assistance to persons requiring special driving equipment.

Legal Citation:	R.S. 47:305(D)(1)(u)
Origin:	Acts 1998, No. 37
Effective Date:	June 24, 1998

Beneficiaries: Persons requiring specialized driving equipment.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$161,450

89. Fees paid by radio and television broadcasters for the rights to broadcast film, video, and tapes

This exemption allows the tax-free sale of the rights to broadcast copyrighted material. The purpose of this exemption is to provide financial assistance to broadcasters.

Legal Citation: R.S.□47:305(F)
Origin: Acts 1972, No. 234
Effective Date: July 26, 1972

Beneficiaries: Radio and television broadcasters.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$403,250

90. Kidney dialysis equipment and supply purchases or rentals

This exemption allows tax-free purchases or rentals of kidney dialysis equipment by individuals. The purpose of this exemption is to provide financial assistance to individuals purchasing or renting this type of equipment or supplies.

Legal Citation: R.S.□47:305(G)
Origin: Acts 1975, No. 200
Effective Date: September 12, 1975

Beneficiaries: Individuals who purchase or rent kidney dialysis equipment.

Administration: Recent rulings by the Board of Tax Appeals and the courts have interpreted this exemption broadly and have hampered the administration of this exemption in a fiscally effective manner.

Estimated Fiscal Effect: See number 81, Sales Tax Section.

91. Repairs and materials used on drilling rigs and equipment

This exemption allows 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 to be exempt from the state sales and use tax. The exemption applies to the sale of materials, services and supplies as well as labor used to repair, renovate or convert any drilling rig, or machinery and equipment which are component parts used exclusively for the exploration or development of minerals outside the territorial limits of Outer Continental Shelf waters. The definition of drilling rig and component parts are also defined under R.S. 47:305(I). The purpose of this exemption is to provide financial assistance to companies operating drilling rigs and that are engaged in exploration and development of minerals outside the territorial limits of the state in Outer Continental Shelf waters.

Legal Citation: R.S. 47:305(I)
Origin: Acts 2002, No. 31
Effective Date: July 1, 2002

Beneficiaries: Companies that operate drilling rigs and are engaged in exploration and development of minerals outside the territorial limits of the state in Outer Continental Shelf waters.

Administration: This exclusion in achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate.

92. Sales of 50-ton vessels and new component parts and sales of certain materials and services to vessels operating in interstate commerce

This exemption allows the purchase of materials, equipment, and machinery that become component parts of ships, vessels, and barges with a 50-ton and over load displacement and the sale of such qualifying ships, vessels, and barges to be exempt from sales tax. In 1982, this exemption was amended to include drilling ships and barges. This exemption also allows ships or vessels operating exclusively in foreign or interstate coastwise commerce to purchase materials and supplies, repair services, and laundry services tax free. The purpose of this exemption is to make Louisiana boat builders and boat-service businesses competitive with similar companies in other states.

Legal Citation: R.S. 47:305.1
Origin: Acts 1959, No. 51
Effective Date: June 29, 1959

Beneficiaries: The beneficiaries of this exemption are builders of 50-ton and over ships, vessels, and barges and the owners of ships, vessels, and barges that operate in foreign or interstate commerce. Since the courts have declared that tax laws cannot discriminate against interstate commerce, the Department has been unable to enforce the restrictive ***built in Louisiana*** language contained in the statute. Consequently, out-of-state builders have also benefited from this exemption.

Administration: Acts 2002, Regular Session, No. 40 and 41 have provided a specific definition of “foreign or interstate coastwise commerce”.

Estimated Fiscal Effect: Unable to anticipate; no data.

93. Sales of insulin for personal use

This exemption allows the tax-free sale of both prescription and nonprescription insulin. The purpose of this exemption is to provide financial assistance to consumers who must purchase insulin.

Legal Citation: R.S. 47:305.2
Origin: Acts 1974, No. 183
Effective Date: July 31, 1974

Beneficiaries: Individuals who purchase insulin.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 81 in Sales Tax Section.

94. Sales of seeds for planting crops

This exemption allows the tax-free sales of seeds to commercial farmers. Commercial farmers include those who grow crops for sale, as well as those who grow crops for livestock, poultry, fish, and dairy animals. Seeds purchased by commercial farmers were already exempt as a raw material under R.S. 47:301(10)(a). The purpose of this exemption is to clarify that seeds are not taxable.

Legal Citation: R.S. 47:305.3
Origin: Acts 1960, No. 427
Effective Date: July 27, 1960

Duplicate Provision: R.S. 47:301(10)(a)

Beneficiaries: Commercial farmers.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$51,000	$52,000

95. Sales of admission tickets by Little Theater organizations

This exemption allows the tax-free sale of Little Theater organization tickets. The purpose of this exemption is to provide financial assistance to qualifying theater organizations.

Legal Citation: R.S. 47:305.6
Origin: Acts 1962, No. 226
Effective Date: August 1, 1962

Beneficiaries: Little Theater organizations.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2002.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

96. Tickets to musical performances by nonprofit musical organizations

This exemption allows the tax-free sales of tickets from Louisiana-domiciled symphony organizations for the presentation of a musical performance. This exemption does not include performances given by symphony organizations domiciled in any other state or any performance intended to yield a profit to the promoter. In 1964, the exemption was amended for a technical correction by Act 198. The purpose of this exemption is to provide financial assistance to nonprofit symphony organizations.

Legal Citation: R.S. 47:305.7
Origin: Acts 1963, No. 124
Effective Date: July 1, 1963

Beneficiaries: Louisiana nonprofit symphony organizations.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2002.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

97. Sales of pesticides for agricultural purposes

This exemption allows the tax-free sale of pesticides for agricultural purposes. This exemption covers any preparation used in the control of insects, plant life, fungus, or any pest detrimental to agricultural crops, including the control of animal pests or diseases. The purpose of this exemption is to provide financial assistance to producers of agricultural products.

Legal Citation: R.S. 47:305.8
Origin: Acts 1964, No. 79
Effective Date: July 29, 1964

Beneficiaries: Producers of agricultural products.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,708,500	$1,742,670

98. Rentals of motion-picture film to commercial theaters

This exemption allows commercial theaters to rent motion-picture films exempt from sales tax. Most commercial theaters have changed their operations by obtaining films through joint ventures. This new method would not apply to this exemption. The purpose of this exemption is to provide financial assistance to commercial theaters.

Legal Citation: R.S. 47:305.9
Origin: Acts 1964, No. 27
Effective Date: July 29, 1964

Beneficiaries: Commercial theaters.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2002.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

99. Property purchased for exclusive use outside the state

This exemption originally allowed the purchase of tangible personal property within Louisiana or the importation of property for first use outside the state to be exempt from sales tax if the out-of-state location of the property was specified. In 1985, Act 631 amended the exemption to allow the stockpile of tax-free goods for use in offshore areas without identifying the final-use location. This amendment allowed the purchasers of fungible goods to remit tax on the portion consumed in taxable areas. This amendment also allowed the tax-free purchase of motorboats in Louisiana for first use in another state. The purpose of this exemption is to encourage businesses to purchase equipment in Louisiana.

Legal Citation: R.S. 47:305.10
Origin: Acts 1964, No. 172
Effective Date: July 29, 1964

Beneficiaries: Businesses who purchase tangible personal property within Louisiana and use the property in the offshore area.

Administration: Recent court rulings that broadly interpret what constitutes interstate, offshore, and foreign commerce make this exemption difficult to administer.

Estimated Fiscal Effect: Unable to anticipate; no data.

100. Additional tax levy on contracts entered into prior to and within 90 days of tax levy

This exemption allows lump-sum contracts entered into and reduced to writing within 90 days prior to a new tax levy to be exempt from the new tax levy. This exemption also allows contracts entered into and reduced to writing within 90 days after a new tax levy is in effect to be exempt from that tax levy if the contracts involve contractual obligations undertaken prior to the effective date. The purpose of this exemption is to offer financial protection to contractors who enter into contracts based upon existing tax levies.

Legal Citation: R.S. 47:305.11
Origin: Acts 1970, No. 7
Effective Date: July 29, 1970

Beneficiaries: Lump-sum contractors.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate. This exemption is only effective after an increase in the tax rate.

101. Admissions to entertainment by domestic nonprofit charitable, educational, and religious organizations

This exemption allows admissions to events sponsored by domestic nonprofit charitable, educational, and religious organizations to be exempt from sales tax. The funds raised, except for necessary expenses, must be used for the purposes for which the event was organized. The purpose of this exemption is to provide financial assistance to qualifying organizations.

Legal Citation: R.S. 47:305.13
Origin: Acts 1971, No. 125
Effective Date: June 28, 1971

Beneficiaries: Domestic nonprofit groups.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

102. Sales of tangible personal property at or admissions to events sponsored by certain nonprofit groups

This exemption initially allowed sales of tangible personal property at or admissions to certain events sponsored by nonprofit domestic, civic, educational, charitable, fraternal, or religious organizations to be exempt from sales tax. In 1974, historical organizations were included as a qualifying group by Act 710. All funds from the event, except necessary expenses, must be used for educational, charitable, religious, or historical restoration purposes. In 1991, Acts 533 and 930 extended the exemption to outside gate admissions and parking fees. The purpose of this exemption is to provide financial assistance to qualifying organizations.

Legal Citation: R.S. 47:305.14
Origin: Acts 1973, No. 89
Effective Date: July 2, 1973

Beneficiaries: Qualifying nonprofit organizations.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$2,691,000	$2,745,600

103. Sales by thrift shops on military installations

This exemption allows sales by thrift shops located on military installations to be eligible for the exemption provided for sales at events sponsored by nonprofit domestic charitable organizations. For purposes of this exemption, the sales by the thrift shops constitute an event. The beneficiaries of this exemption are the customers of the thrift shops. The purpose of this exemption is to provide financial assistance to customers who shop at thrift shops on military bases.

Legal Citation: R.S. 47:305.14
Origin: Acts 1994, No. 22
Effective Date: June 7, 1994

Beneficiaries: Customers of thrift shops located on military installations.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible (less than $10,000).

104. Sales of newspapers by religious organizations

This exemption allows religious organizations to sell newspapers without the collection of the general sales tax provided the charge for the newspaper does not exceed publication costs. The purpose of this exemption is to provide financial assistance to religious organizations. These newspapers would be eligible for the exemption under R.S. 47:305(D)(1)(e). However, that exemption has been suspended either in part or in full since July 1, 1986. By placing this exemption under the referenced statute that has generally been protected from the suspension of exemption, the legislature has protected these sales from the general sales tax.

Legal Citation: R.S. 47:305.14
Origin: Acts 1994, No. 39
Effective Date: June 7, 1994.

Beneficiaries: Qualifying religious organizations.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-03	**FYE 6-04**
$35,500	$36,200

105. Sales to nonprofit literacy organizations

This exemption allows nonprofit literacy organizations that comply with the court order from the Dodd Brumfield decision and Section 501(c)(3) of the Internal Revenue Code to purchase tangible personal property and taxable services free of the general sales tax. The exemption is limited to purchases of books, workbooks, computer software, films, videos and audio tapes. The purpose of this exemption is to provide financial assistance to qualifying organizations.

Legal Citation: R.S. 47:305.14
Origin: Acts 2002, No. 27
Effective Date: July 1, 2002

Beneficiaries: Qualifying nonprofit literacy organizations

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$50,000	$51,000

106. Sales or purchases by blind persons operating small businesses

This exemption allows blind persons who sell or purchase tangible personal property in the operation of a small business to be exempt from sales tax. The purpose of this exemption is to relieve blind persons of the burden of collecting and reporting sales tax collections.

Legal Citation: R.S. 47:305.15(A)
Origin: Acts 1973, No. 61
Effective Date: July 2, 1973

Beneficiaries: Blind persons operating a business.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$190,000	$193,800

107. Purchases by certain organizations that promote training for the blind

This exemption allows organizations that provide training for the blind and receive at least 75 percent of the organizations' funding from public funds to purchase goods and services free of the general sales tax. The purpose of this exemption is to provide financial assistance to blind organizations.

Legal Citation: R.S. 47:305.15(B)
Origin: Acts 1994, No. 26
Effective Date: August 15, 1994

Beneficiaries: Qualifying organizations for the blind.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible (less than $10,000).

108. Cable television installation and repair services

This exemption allows installation charges and repairs to hardware to be exempt from sales tax. This exemption was not necessary, as cable installation charges are a nontaxable service and repair services are performed on immovable equipment and are not subject to taxation. The purpose of this exemption is to clarify that cable television installation and repair services are not subject to the tax.

Legal Citation: R.S. 47:305.16
Origin: Acts 1974, No. 593
Effective Date: July 31, 1974

Beneficiaries: Television cable companies and their subscribers, if these charges were subject to tax.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; installation charges and charges for repairs to immovable property are not taxable.

109. Receipts from coin-operated washing and drying machines in commercial laundromats

This exemption originally enacted in 1975 allows receipts from coin-operated washing and drying machines to be exempt from sales tax if the machines are located in a commercial laundromat. The purpose of this exemption was to provide financial relief to commercial laundromats who were unable to collect sales tax rate increases from their customers. In 1996, the courts ruled that the revenue from coin-operated washing and drying machines were not subject to sales tax as a taxable service of cleaning.

Legal Citation: R.S. 47:305.17
Origin: Acts 1975, No. 423
Effective Date: September 12, 1975

Beneficiaries: Commercial coin-operated laundromats.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; courts have ruled that these receipts are not taxable.

110. Outside gate admissions and parking fees at fairs, festivals, and expositions sponsored by nonprofit organizations

This exemption allows certain gate admissions and parking fees to fairs, festivals, and expositions sponsored by Louisiana chartered nonprofit organizations to be exempt from sales tax. This exemption does not apply to any event intended to yield a profit to the promoter or any individual contracted to provide services or equipment for the event. This exemption is very similar to R.S. 47:305.14 [See number 101, Sales Tax Section], except this exemption includes more qualifying organizations. The purpose of this exemption is to provide financial assistance to qualifying nonprofit organizations.

Legal Citation: R.S. 47:305.18
Origin: Acts 1975, No. 824
Effective Date: September 12, 1975

Beneficiaries: Nonprofit organizations.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$106,000

111. Lease or rental of certain vessels in mineral production

This exemption allows the vessels leased or rented for use offshore beyond the territorial limits for the production of oil, gas, sulphur, and other minerals to be exempt from sales tax. This exemption applies to production companies and their service companies. The purpose of this exemption is to provide financial assistance to the mineral-production industry.

Legal Citation: R.S. 47:305.19
Origin: Acts 1975, No. 818
Effective Date: September 12, 1975

Beneficiaries: Production companies and the company providing service to them.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$42,500

112. Purchases of supplies, fuels, and repair services for boats used by commercial fishermen

This exemption allows commercial fishermen to purchase tax-free materials, supplies, repair services, and fuel for the maintenance or operation of boats. The original exemption has been amended several times, but most changes have been clarifications or technical in nature. In 1990, Act 162 required fishermen to apply for a license with the Department of Revenue effective January 1991. The purpose of this exemption is to provide financial assistance to commercial fishermen.

Legal Citation: R.S. 47:305.20
Origin: Acts 1975, No. 811
Effective Date: September 12, 1975

Beneficiaries: Licensed commercial fishermen.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$2,796,000	$2,851,900

113. Certain seafood-processing facilities

This exemption allows qualifying processors to purchase materials, supplies, and repair services exempt from the general sales tax. This exemption applies only to processing facilities that process seafood from vessels owned, leased, or contracted exclusively to the facility. The purpose of this exemption is to provide financial assistance to qualifying facilities.

Legal Citation: R.S. 47:305.20
Origin: Acts 1991, No. 896
Effective Date: September 6, 1991

Beneficiaries: The qualifying processing facilities.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$224,500	$229,000

114. Certain equipment when removed from resale inventory

This exemption allows retail dealers selling heavy, self-propelled, earth-moving, construction, and farm equipment to remove equipment from inventory without payment of the use tax if the equipment is rented to promote a sale. The purpose of this exemption is to provide financial assistance to heavy equipment dealers. This exemption is not needed as of October 1, 1996, as it is superseded by the exclusions provided under R.S. 47:301(10)(a)(iii) and R.S. 47:301(18)(a)(iii) [See number 22, Sales Tax Section].

Legal Citation: R.S. 47:305.22
Origin: Acts 1977, No. 510
Effective Date: September 9, 1977

Duplicate Provisions: R.S. 47:301(10)(a)(iii)
R.S. 47:301(18)(a)(iii)

Administration: This exemption has been superseded by the duplicate provisions as of October 1, 1996.

Estimated Fiscal Effect: $0, superseded by R.S. 47:301(10)(a)(iii) and R.S. 47:301(18)(a)(iii).

115. First $50,000 of the sales price of certain rubber-tired farm equipment and attachments

This exemption originally exempted the first $5,000 of the sales price of each rubber- tired farm tractor, cane harvester, or similar equipment and attachments from sales tax. The exemption was later increased to $50,000, effective for sales after June 30, 1982. In 1979, Act 787 also exempted irrigation wells, drives, motors, and equipment. In 1985, Act 836 added farm facilities used to dry or store grain. The suspension of exemptions only applies to the items added by the amendments; the original equipment was specifically sheltered. The purpose of this exemption is to provide financial assistance to agricultural producers.

Legal Citation:	R.S. 47:305.25
Origin:	Acts 1978, No. 638 Amended by Acts 1979, No. 787; Acts 1982, No. 167; Acts 1985, No. 836
Effective Date:	September 8, 1978

Beneficiaries: Producers of agricultural products.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$15,300,000	$15,500,000

116. New vehicles furnished by a dealer for driver-education programs

This exemption allows new-car dealers to withdraw new vehicles from inventory for use by secondary schools, colleges, or public school boards in accredited driver-education programs without payment of the sales tax. The purpose of this exemption is to encourage new-car dealers to donate the use of vehicles to schools for driver-education programs.

Legal Citation:	R.S. 47:305.26
Origin:	Acts 1978, No. 507
Effective Date:	January 1, 1979

Beneficiaries: Schools using the vehicles and the new-car dealers.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$87,300

117. Sales of gasohol

This exemption allows the sale of gasohol to be exempt when sold in Louisiana. The alcohol used in this gasohol must be produced, fermented, and distilled in Louisiana. Article VII, Section 27 of the Louisiana Constitution extends an exclusion for gasoline sold which has been subject to a Louisiana road use tax [See number 152, Sales Tax Section]. This exemption therefore exempts only gasohol sold where the road use tax has not been levied. The purpose of this exemption is to reduce the tax paid by consumers.

Legal Citation: R.S. 47:305.28
Origin: Acts 1979, No. 793
Effective Date: September 7, 1979

Beneficiaries: Consumers of gasohol for off-road use.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

118. Construction materials and operating supplies for certain nonprofit retirement centers

This exemption allows for the tax-free purchase of construction materials and operating supplies for certain nonprofit retirement centers owned or operated by any public trust authority or incorporated not-for-profit organization. The retirement center must serve as a multipurpose facility that offers unsupervised living units, supervised nursing-home facilities, and intermediate health care. The purpose of this exemption is to encourage a new concept in the care of the elderly.

Legal Citation: R.S. 47:305.33
Origin: Acts 1981, No. 876
Effective Date: September 11, 1981

Beneficiaries: Nonprofit multipurpose retirement centers.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-03	**FYE 6-04**
Suspended	$484,350

119. Sales of motor vehicles to be leased or rented by qualified lessors

This exemption originally allowed the tax-free purchase of motor vehicles used exclusively for leases or rentals. In 1985, Act 847 extended the exemption to trailers and semi-trailers effective July 23, 1985. This exemption is not needed as of October 1, 1996, as it is superseded by the exclusion provided under R.S. 47:301(10)(a)(iii) [See number 22 on page 215].

Legal Citation:	R.S. 47:305.36
Origin:	Acts 1982, No. 415; Amended by Acts 1984, No. 539; Acts 1985, No. 847; Acts 1991, No. 495
Effective Date:	September 10, 1982

Duplicate Provision: R.S. 47:301(10)(a)(iii)

Administration: This exemption has been superseded by R.S. 47:301(10)(a)(iii).

Estimated Fiscal Effect: $0; superseded by R.S. 47:301(10)(a)(iii).

120. Sales of certain fuels used for farm purposes

This exemption originally allowed the tax-free purchase of diesel fuel and butane for farm use. In 1985, Acts 511 and 621 amended the exemption to include propane and other liquefied petroleum gases. The purpose of this exemption is to provide financial assistance to commercial farmers.

Legal Citation:	R.S. 47:305.37
Origin:	Acts 1982, No. 820 Amended by Acts 1985, No. 511 and No. 621
Effective Date:	January 1, 1983

Beneficiaries: Commercial farmers.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$10,612,000	$10,824,250

121. Sales or purchases by certain sheltered workshops

This exemption allows certain sheltered workshops for the mentally retarded to sell and purchase tax free. The workshop must be used as a day developmental training center and licensed by the Department of Social Services. The purpose of this exemption is to provide financial assistance to sheltered workshops.

Legal Citation: R.S. 47:305.38
Origin: Acts 1982, No. 242
Effective Date: September 10, 1982

Beneficiaries: Qualifying sheltered workshops.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$72,000	$73,500

122. Purchases of certain fuels for private residential consumption

This exemption originally allowed the tax-free purchase of butane and propane used for private residential cooking and cleaning purposes. In 1985, Act 622 extended the exemption to include other liquefied petroleum gases. The purpose of this exemption is to provide financial assistance to consumers.

Legal Citation: R.S. 47:305.39
Origin: Acts 1983, No. 654
Amended by Acts 1985, No. 622
Effective Date: July 1, 1984

Beneficiaries: Residential consumers.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$969,500

123. Specialty Mardi Gras items purchased by certain organizations

This exemption allows tax-free purchases of specialty items by carnival organizations and Louisiana domiciled nonprofit organizations. The purpose of this exemption is to provide financial assistance to carnival and nonprofit organizations that sponsor Mardi Gras activities.

Legal Citation: R.S. 47:305.40
Origin: Acts 1985, No. 439
Effective Date: September 6, 1985

Beneficiaries: Carnival and nonprofit organizations.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$87,300

124. Purchases and sales by Ducks Unlimited and Bass Life

The original provision allowed the organization Ducks Unlimited or any of its chapters to sell tangible personal property tax-free. The provision also allowed Ducks Unlimited to purchase tax-free tangible personal property or sales of services as well as rent/lease tangible personal property tax-free. In 1998, Act 28 added the organization Bass Life to this provision and allowed all the same benefits as are allowed to the Ducks Unlimited organization. The purpose of this exemption is to provide financial assistance to Ducks Unlimited and Bass Life. This exemption has a related exemption under R.S. 47:305.43 exempting certain transactions with nonprofit groups whose purpose is to conserve migratory waterfowl and fish (See number 126, Sales Tax Section).

Legal Citation: R.S. 47:305.41
Origin: Acts 1985, No. 512
Amended by Acts 1998, No. 28
Effective Date: July 12, 1985

Beneficiaries: Ducks Unlimited and Bass Life.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$74,150

125. Tickets to dance, drama, or performing arts presentations by certain nonprofit organizations

This exemption allows domestic nonprofit organizations that present dance, drama, or performing arts to sell tickets to performances exempt from sales tax. The purpose of this exemption is to provide financial assistance to these nonprofit organizations.

Legal Citation: R.S. 47:305.42
Origin: Acts 1985, No. 513
Effective Date: July 12, 1985

Beneficiaries: Nonprofit organizations engaged in promoting dance, drama, or performing arts.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

126. Purchases by and sales by certain nonprofit organizations dedicated to the conservation of fish and migratory waterfowl

The original exemption allowed the purchase of tangible personal property and certain sales by qualifying organizations to be exempt from sales tax. In order for organizations to qualify for this exemption, they must be nonprofit organizations dedicated to the conservation of migratory waterfowl of North America and the preservation and conservation of wetland habitat. In 1998, Act 28 added groups for fish conservation to this provision and included the same benefits as that of waterfowl groups. In order for sales by the organization to be exempt, the entire proceeds from the sales, except necessary expenses, must be used in the furtherance of the organization's exempt purpose. This exemption does not apply to events intended to yield a profit to the promoter or to any individual contracted in connection with the event. The purpose of this exemption is to provide financial assistance to qualifying conservation groups. This exemption has a related exemption under R.S. 47:305.41 exempting certain transactions with Ducks Unlimited and Bass Life. (See number 124, Sales Tax Section.)

Legal Citation: R.S. 47:305.43
Origin: Acts 1985, No. 835
Amended by Acts 1998, No. 28
Effective Date: September 6, 1985

Beneficiaries: Qualifying organizations dedicated to fish and migratory North American waterfowl.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect: See number 124, Sales Tax Section.

127. Raw materials used in the printing process

This exemption allows the tax-free purchase or sale of raw materials and certain other tangible personal property used to produce printed matter. This exemption applies to qualifying items manufactured by the printer or purchased from a contractor. The purpose of this exemption is to offer financial assistance to commercial printers.

Legal Citation: R.S. 47:305.44
Origin: Acts 1985, No. 847
Effective Date: July 23, 1985

Beneficiaries: Commercial printers.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$1,681,700

128. Piggy-back trailers or containers and rolling stock

This exemption allows the tax-free sale or lease of piggy-back trailers or containers and rolling stock. Per diem or car-hire charges are also exempted. Railroad companies and other operators of qualifying equipment are eligible for the exemption. Rail-car leases are also covered by an exclusion under R.S. 47:301(4)(k) [See number 9, Sales Tax Section]. The purpose of this exemption is to provide financial assistance to railroads and other rail-car operators and piggy-back trailers.

Legal Citation: R.S. 47:305.45
Origin: Acts 1986, No. 476
Effective Date: July 1, 1986

Beneficiaries: Railroad companies and other operators of railroad transportation equipment.

Administration: Recent court cases and the courts' interpretation of what constitutes interstate commerce prohibits the administration of this exemption in a fiscally effective manner. This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$3,231,350

129. Pharmaceutical samples distributed in Louisiana

This exemption allows pharmaceutical samples to be exempt from sales and use tax when they are distributed without charge to physicians, dentists, clinics, and hospitals. The purpose of this exemption is to provide financial assistance to drug manufacturers.

Legal Citation: R.S. 47:305.47
Origin: Acts 1989, No. 383
Effective Date: June 30, 1989

Beneficiaries: Drug manufacturers.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

130. Catalogs distributed in Louisiana

This exemption allows free catalogs distributed in Louisiana to be exempt from sales and use tax. Prior to the exemption, the tax was due on mail-order catalogs, but only enforceable on companies with a business situs in Louisiana. This exemption puts in-state and out-of-state companies on the same basis. The purpose of this exemption was to provide financial assistance to mail-order companies, especially those with a Louisiana presence.

Legal Citation: R.S. 47:305.49
Origin: Acts 1989, No. 796
Effective Date: September 3, 1989

Beneficiaries: Mail-order companies.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	$135,175

131. Certain trucks and trailers used 80 percent in interstate commerce

The original provision allows trucks with a gross weight rating of 26,000 lbs. or more used 80 percent of the time in interstate commerce to be exempt from sales and use tax. The term "truck" is defined under R.S. 47: 451 and includes the terms truck, tractor, road tractor, tandem truck, tractor, and truck tractor. The original provision also allowed trailers used 80 percent of the time in interstate commerce to be exempt from sales and use tax. The term "trailer" is defined under R.S. 47: 451. In 1998, Act 41 reenacted the exemption and added the provision that the trucks and trailers must be in an activity subject to the jurisdiction of the United States Department of Transportation. The reenacted statute also extended the effective time period of the exemption through June 30, 2000. Acts 2000, No. 27 extended the exemption through June 30, 2002. Acts 2002, No. 2 further extended the exemption through June 30, 2004. The purpose of this exclusion is to provide financial assistance to the owners of trucks operating in interstate commerce.

Legal Citation:	R.S. 47:305.50(A)
Origin:	Acts 1996, No. 8 Amended by Acts 1998, No. 41 Amended by Acts 2000, No. 27 Amended by Acts 2002, No. 2
Effective Date:	July 1, 1996
Sunset Date:	June 30, 2004

Beneficiaries: Purchasers of large trucks and trailers used 80 percent in interstate commerce.

Administration: This exclusion is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$5,904,300	Not in Effect

Note: A revision of the prior year estimates is based on recent data obtained from the Office of Motor Vehicles.

132. Certain contract carrier buses used 80 percent in interstate commerce

This provision allows certain contract carrier buses used 80 percent of the time in interstate commerce to be exempt from sales and use tax. The bus must meet the definition in the exemption, which requires the bus to be a commercial vehicle with a minimum capacity of 35 passengers and have a minimum gross weight of 26,000 lbs. The exemption was originally set to expire on June 30, 2000. Acts 2000, No. 27 extended it through June 30, 2002. Acts 2002, No. 2 further extended the exemption through June 30, 2004. The purpose of this exclusion is to provide financial assistance to large contract carrier buses operating in interstate commerce.

Legal Citation:	R.S. 47:305.50(A)(1)(a)(ii) and (b)
Origin:	Acts 1998, No. 41 Amended by Acts 2000, No. 27 Amended by Acts 2002, No. 2
Effective Date:	June 30, 1998
Sunset Date:	June 30, 2004

Beneficiaries: Purchasers of large contract carrier buses used 80 percent in interstate commerce.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,042,325	Not in Effect

Note: A revision of the prior year estimates is based on recent data obtained from the Office of Motor Vehicles.

133. Rail rolling stock manufactured in Louisiana used in interstate commerce

This exemption would allow rail rolling stock manufactured within Louisiana for use in interstate commerce to be exempt from general sales tax. The purpose of this exemption is to promote the manufacture of rolling stock within Louisiana.

Legal Citation:	R.S. 47:305.50(B)
Origin:	Acts 1996, No. 36 Amended by Acts 1998, No. 41
Effective Date:	July 1, 1996
Sunset Date:	June 30, 1998

Beneficiaries: Louisiana manufactures of rail rolling stock and their customers in interstate commerce.

Administration: Research conducted by the Department has determined that subsequent amendments aimed at extending the sunset dates for trucks, trailers and buses used 80 percent in interstate commerce did not include rail rolling stock manufactured in the state. Therefore, this exemption became null and void on July 1, 1998.

Estimated Fiscal Effect: Not in effect.

134. Utilities used by steelworks and blast furnaces

This provision allows utilities, including electricity, used by steelworks and blast furnaces to be exempt from sales tax. The facility must employee more than 125 full-time workers and is classified as SIC 3312 by the Standard Industrial Classification Code to qualify. The purpose of this exemption is to provide an economic incentive for a steel mill to locate in Louisiana.

Legal Citation:	R.S. 47:305.51
Origin:	Acts 1998, No. 28 Amended by Acts 2001,1st. Ex. Sess., No. 5 Amended by Acts 2002, No. 49
Effective Date:	March 27, 2001
Sunset Date:	June 30, 2004

Beneficiaries: Any steel mill meeting the minimum requirements

Administration: Approximately $800,000 in refunds for exemptions denied in prior years were issued during Fiscal Year 2000-2001.

Estimated Fiscal Impact: Unable to anticipate.

135. Antique airplanes held by private collectors and not used for commercial purposes

This exemption allows the tax-free purchase of antique aircraft by collectors. Many of these sales are also exempted under the ***isolated*** or ***occasional*** sale provision of R.S. 47:301(10)(c) [See number 4, Sales Tax Section]. This statute was amended by Act 161 of 1982, effective October 1, 1982, to require that the aircraft be manufactured at least 25 years prior to the date of purchase. The purpose of this exemption was to provide financial assistance to antique aircraft collectors.

Legal Citation:	R.S. 47:6001
Origin:	Acts 1980, No. 567
Effective Date:	September 12, 1980

Beneficiaries: Collectors of antique aircraft.

Administration: This exemption has been suspended and the 4 percent suspension will continue through June 30, 2004.

Estimated Fiscal Effect: Negligible; less than $10,000.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
Suspended	Negligible

Alternate-reporting methods

136. Certain interchangeable components; optional method to determine

This alternate-reporting method allows importers or users of certain *measurement-while-drilling* equipment to store equipment in the state without paying the use tax due upon importation. Instead, taxes would be paid on 1/60 of the total material cost of all equipment stored within Louisiana each month. The purpose of this method is to offer relief from use tax on equipment stored in Louisiana, but seldom used in this state.

Legal Citation: R.S. 47:301(3)(d)
Origin: Acts 1990, No. 719
Effective Date: July 1, 1990

Beneficiaries: Companies that use certain *measurement-while-drilling* equipment.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$579,500	$591,100

137. Helicopters leased for use in the extraction, production, or exploration for oil, gas, or other minerals

This alternate-reporting method allows the lease or rental of certain helicopters used in the extraction, production, and exploration of oil, gas, and other minerals to be considered a sale of tangible personal property with an extended period of time allowed to remit any taxes due.

Helicopters acquired through a lease, rental, lease-purchase, or similar transaction by a company involved in the extraction, production, or exploration for oil, gas, or other mineral qualify for this method. Helicopters used by companies providing service to qualifying companies also qualify for this alternate-reporting method. Qualifying companies do not pay sales tax on lease or rental payments, but remit the tax on the sales price in equal installments over the terms of the lease, rental, or lease-purchase contract.

Legal Citation: R.S. 47:302.1
Origin: Acts 1984, No. 353
Effective Date: July 2, 1984

Administration: This provision has been superseded by the exclusion under R.S. 47:301(10)(a)(iii) effective October 1, 1996.

Estimated Fiscal Effect: $0; (See number 22, Sales Tax Section.)

138. Cash-basis sales tax reporting and remitting for health and fitness club membership contracts

This alternate-reporting method allows health clubs to report and remit sales taxes on a cash basis and to report the receipts net of any imputed interest or collection fees. The original effective date was 1985, but a 1987 amendment in Act 379 provided relief to health clubs that had failed to collect tax prior to September 30, 1985. The purpose of this alternate-reporting method is to relieve clubs from the taxes on unpaid membership contracts.

Legal Citation:	R.S. 47:303(F)
Origin:	Acts 1985, No. 661 Amended by Acts 1987, No. 379
Effective Date:	September 30, 1985

Beneficiaries: Health and fitness clubs.

Administration: The purpose of this alternate reporting method is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

139. Cash-basis reporting procedure for rental and lease transactions

This alternative method of tax payment allows lessors of tangible personal property to report and remit sales tax due after payment is collected rather than in the period that the rental or lease occurred. The purpose of this alternate-reporting method is to relieve lessors from the taxes on unpaid rental fees.

Legal Citation:	R.S. 47:306(A)(2)
Origin:	Acts 1985, No. 867
Effective Date:	July 23, 1985

Beneficiaries: The beneficiaries of this alternative method of tax payment are the lessors of the property. This method of tax payment allows the lessors to avoid the loss of sales taxes remitted on transactions that ultimately become bad debts.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate.

140. Collection from interstate and foreign transportation dealers

This alternative method of tax payment allows transportation companies operating in interstate and foreign transportation of materials to remit taxes based upon the percentage of Louisiana miles to total miles. The purpose of this alternate-reporting method is to simplify the reporting of taxes.

Legal Citation:	R.S. 47:306.1
Origin:	Acts 1956, No. 438
Effective Date:	August 1, 1956

Beneficiaries: Interstate and foreign transportation dealers.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

Statutorily prescribed methods of taxation

141. Extended time to register mobile homes

This provision allows purchasers of mobile homes, as defined by R.S. 9:1149.2(3), to extend the time to apply for a certificate of Title from five days after delivery to the twentieth day of the month following the month of delivery of the home. This allows between 20 to 50 days to apply for a title. If a mobile home is immobilized prior to registration, the mobile home is not subject to sales tax. The purpose of this provision is to allow purchasers of mobile homes more time to immobilize the mobile home.

Legal Citation:	R.S. 32:707(A)
Origin:	Acts 1997, No. 272
Effective Date:	July 1, 1997

Beneficiaries: The beneficiaries of this provision are purchasers of mobile homes that immobilize them at the time of purchase.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data.

142. "Cost price" of refinery gas

This exclusion defines the valuation of refinery gas produced, but not sold by the producer. This value is determined for each calendar year. Sales of such property are subject to tax under R.S. 47:301(13)(d). The "cost price" of refinery gas shall be the maximum of 52¢ per MCF multiplied by a fraction the numerator of which shall be the posted price for a barrel of West Texas Intermediate Crude Oil on December 1 of the preceding calendar year and the denominator of which shall be $29. This valuation applies to both state and local governments. The valuation for calendar year 2002 is .304¢. This valuation is identical to the valuation originally set under R.S. 47:305(D)(1)(h) [See number 70, Sales Tax Section].

Legal Citation:	R.S. 47:301(3)(f) R.S. 47:301((13)(d)(iii)
Origin:	Acts 1996, No. 29
Effective Date:	July 2, 1996

Beneficiaries: Refineries producing refinery gas.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; this is a valuation formula only and not an alternative method of valuation.

143. Sales price of refinery gas and other byproducts

This exclusion defines the valuation of refinery gas and other byproducts produced as part of the manufacturing/refining process and sold to another party. This value shall be the average of the monthly spot market price per MCF of natural gas delivered into pipelines in Louisiana as reported by the Natural Gas Clearing House and determined by the Department for natural gas severance tax purposes at the time of the sale, or the price for which the property is actually sold, whichever is greater.

Legal Citation:	R.S. 47:301(13)(d)
Origin:	Acts 1996, No. 29
Effective Date:	July 2, 1996

Beneficiaries: Manufacturers or refineries selling refinery gas and byproducts that are produced as part of their process.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect: $0; this is a valuation method and not an alternative method of valuation over any other value.

Credits

144. Vendor's compensation

This credit compensates the dealer in accounting for and remitting the sales tax. Each dealer is allowed to deduct 1.1 percent from the tax due provided the reports are submitted and paid to the Department of Revenue on a timely basis. The amount of the vendor's compensation is computed on the sales tax collections before credit is taken for taxes paid on goods for resale. Originally this provision, enacted in 1948, allowed a credit of 1.5 percent. Act 916 of 1986 reduced the credit to 1.1 percent. The credit is currently scheduled to remain at 1.1 percent after June 30, 2001. The purpose of this credit is to compensate the dealer in accounting for and remitting the sales taxes.

Legal Citation: R.S. 47:306(A)(3)(a)
Origin: Acts 1948, No. 9 Amended Acts 1986, No. 916; Acts 1991, No. 709; Acts 1995, No. 1186; Acts 1996, 1st Ex. Sess., No. 32; Acts 1998, 1st Ex. Sess., No. 50 Amended Acts 2001, No. 7
Effective Date: June 7, 1948

Beneficiaries: Dealers who report and remit taxes on a timely basis.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$30,602,600	$31,214,650

145. Credit for costs to reprogram cash registers

This credit allows dealers to claim up to $25 per register to recoup costs incurred to reprogram cash registers because of changes in the sales tax rate or base. The purpose of this credit is to compensate taxpayers for costs to reprogram cash registers because of tax changes.

Legal Citation: Acts 1990, No. 386, Section 4
Origin: Acts 1990, No. 386
Effective Date: July 12, 1990

Beneficiaries: Dealers collecting Louisiana sales tax.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate.

Refunds

146. Sales tax remitted on bad debts from credit sales

This refund provision grants financial relief to vendors who remit sales taxes to the state that they are subsequently unable to collect from their customers. This statute was enacted in 1976 for credit sales of tangible personal property and was amended by Act 516 of 1985 to apply to credit sales of services, effective July 1, 1985.The sales tax bad-debt recovery provision does not include rentals and leases. The purpose of this refund was to allow taxpayers a refund of sales taxes remitted to the Department, but not collected from their customers.

Legal Citation:	R.S. 47:315
Origin:	Acts 1976, No. 153 Amended by Acts 1985, No. 516
Effective Date:	July 20, 1976

Beneficiaries: Vendors who have remitted the tax on credit sales of tangible personal property that ultimately was uncollectible from their customers.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,500,000	$1,500,000

Note: Estimates based on refunds issued by the department during FYE 2003 and pending request.

147. State sales tax paid on property destroyed in a natural disaster

This refund provision gives financial assistance to persons who have suffered uninsured losses in natural disasters. The sales tax paid on destroyed property can be refunded upon the filing of a proper claim. In 1972, this statute was amended by Act 592 to provide an effective date of August 17, 1969. In 1973, this statute was amended by Act 60 to the current language clarifying that the refund is based upon taxes paid by the owner on the destroyed property. The purpose of this refund is to provide financial relief to persons who have suffered uninsured losses in natural disasters.

Legal Citation:	R.S. 47:315.1
Origin:	Acts 1970, No. 592 Amended by Acts 1972, No. 592; Acts 1973, No. 60
Effective Date:	August 17, 1969

Beneficiaries: Owners of property destroyed by a natural disaster in an area determined by the President of the United States to need federal assistance.

Administration: The documentation submitted for tax claims is generally incomplete; claims that appear to be reasonable and probable are honored. Under the present system, there is no correlation between need and eligibility for refunds. A better system could probably be devised for giving aid to persons adversely affected by natural disasters.

Estimated Fiscal Effect: During fiscal year 2002-2003, $12,814 in sales tax refunds were issued to flood victims. We are unable to predict the future fiscal effect.

148. Materials used in the construction, restoration, or renovation of housing in designated areas

This refund provision offers a financial incentive to persons who renovate, restore, or rehabilitate existing structures or who construct new housing in certain blighted areas of the state. These areas are determined by local governing authorities. The purpose of this refund provision is to encourage people to improve the conditions of the blighted areas.

Legal Citations:	R.S. 47:315.2 R.S. 40:582.1-582.7 R.S. 47:1515.1 R.S. 33:2718.3
Origin:	Acts 1984, No. 292
Effective Date:	September 3, 1984

Beneficiaries: People engaged in construction or renovation of real property in certain blighted areas of the state.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Unable to anticipate; no data. No refunds issued in previous years.

149. Purchases or leases of durable medical equipment paid by or under provisions of Medicare

This refund provision allows a person paying tax on the purchase or rental of durable medical equipment that is paid by or under the provisions of Medicare to request a refund of the state taxes paid. Most qualifying purchases are already exempted from the state sales tax under pertinent provisions of R.S. 47:305(D); however, leases are not.

Legal Citation:	R.S. 47:315.3
Origin:	Acts 1994, No. 25
Effective Date:	August 15, 1994

Beneficiaries: Purchasers and lessees of qualifying durable medical equipment.

Administration: The purpose of this provision is achieved in a fiscally effective manner. The Department has initiated a procedure to relieve the lessor of the property from the collection and remittance of the four percent general sales tax on the lease payments paid by Medicare. Any amounts paid directly by the lessee/patient are fully taxable. This procedure are used in lieu of requiring the tax to be paid initially and subsequently refunded.

Estimated Fiscal Effect: Unable to anticipate; no data.

150. Refunds of sales tax to motion-picture production companies

This sales tax relief provision offers a financial incentive for certain motion-picture production companies to film in Louisiana. The applicant must intend to expend at least $250,000 in Louisiana within any consecutive twelve-month period. The relief is limited to producers of movies and/or commercials; athletic events or news programs do not qualify.

Legal Citation:	R.S. 47:1124
Origin:	Acts 1990, No. 480 Amended Acts 2002, 1st Ex. Session, No. 5
Effective Date:	July 18, 1990
Sunset Date:	December 31, 2006

Beneficiaries: The beneficiaries of this refund provision are motion-picture production companies that film in Louisiana. The state and local governments benefit by the economic activity that the film companies bring to an area.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect: See number 24, Sales Tax Section.

151. Louisiana Tax Free Shopping Program

This provision offers refunds of state and local sales taxes on certain purchases to international tourists to encourage increased tourism in Louisiana. By paying an annual $100 fee, merchants will be included in a listing of tax-free stores that is distributed to international tourists. The purpose of the refund provision is to encourage tourists to purchase goods in Louisiana, which in turn benefits the retail dealers.

Legal Citation:	R.S. 51:1301
Origin:	Acts 1988, No. 535 Amended Acts 2001, 1st Ex. Session No. 7
Effective Date:	July 8, 1988
Sunset Date:	July 1, 2004

Beneficiaries: International tourists who travel and make purchases in Louisiana and the merchants who participate in the program.

Administration: A commission was created to organize the program and appoint a refund agency to issue tax refunds to departing tourists.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$618,800	Not In Effect

State exemptions with prohibitions on taxation

152. Sale of gasoline, gasohol, and diesel

The Louisiana Constitution prohibits the taxation of fuel that is subject to the road-use excise tax. This excludes most fuel sales, as most gasoline, gasohol, and diesel will be subject to road use tax. Gasoline, not subject to road use excise tax, is exempt from taxation of sales tax under R.S. 47:301(D)(1)(a). Gasohol, not subject to road use excise tax, is exempt from taxation under R.S.47:305.28 for gasohol produced, fermented, and distilled in Louisiana. The fiscal impact of the constitutional exclusion is shown in this section. The purpose of this prohibition is to give a taxbreak to consumers.

Legal Citation:	Constitution of the State of Louisiana Article VII, Section 27
Origin:	Constitutional Amendment
Effective Date:	January 1, 1990

Beneficiaries: Consumers of road use gasoline and gasohol.

Administration: The purpose of this prohibition is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$165,158,500	$168,461,675

Note: The prior year estimates have been revised based on recent data obtained from the U.S. Department of Energy.

153. Purchases made with food stamps and WIC vouchers

This exemption allows tax-free purchases of ***eligible food items*** if purchased with USDA food stamps or Women, Infants, and Children's (WIC) vouchers. The federal government issues food stamps and WIC vouchers to qualified participants to purchase ***eligible food items***. States are not allowed to tax these purchases as a requirement for receiving federal funding for the food stamp and WIC programs. Repeal of this exemption would cost the state federal food stamp funding. The purpose of this exemption is to comply with the federal government's restrictions.

Legal Citation:	R.S. 47:305.46
Origin:	Acts 1986, No. 1028
Effective Date:	October 1, 1987

Beneficiaries: Purchasers using food stamps and WIC vouchers.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$41,178,600	$42,002,175

154. Credit for sales and use taxes paid to other states on property imported into Louisiana

This credit allows a person or company to reduce any use tax due by the equivalent sales/use tax lawfully paid to another qualified state. In order to qualify, the other state must allow a similar credit for Louisiana taxes and the tax charged must be similar in nature. The state of Louisiana has entered into agreements with other states to allow similar credits for Louisiana residents. The purpose of this provision is to reciprocate for the credit allowed by other states.

Legal Citation: R.S. 47:303(A)
Origin: Acts 1964, No. 171
Effective Date: July 29, 1964

Beneficiaries: Persons and companies importing property into this state.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$22,776,600	$23,232,100

155. Credit for use tax paid on automobiles imported by certain members of the armed services

This provision allows a credit to Louisiana residents, who have served in the armed services for two years or more, for sales taxes paid on automobiles. This credit will be honored for taxes paid to any other state. The purpose of this credit is to provide financial assistance to members of the armed services.

Legal Citation: R.S. 47:303(A)
Origin: Acts 1965, No. 122
Effective Date: July 28, 1965

Beneficiaries: Louisiana residents who serve in the armed services.

Administration: The purpose of this provision is achieved in a fiscally effective manner.

Estimated Fiscal Effect: The fiscal effect is included under number 154, Sales Tax Section.

156. Use of vehicles in Louisiana by active military personnel

This exemption allows active military personnel to transfer motor vehicles into Louisiana exempt from sales tax under the following conditions:

- the personnel is on active duty in Louisiana;
- sales tax was collected in the state that the vehicle was purchased; and,
- the purchaser was a resident or stationed on military duty in the state that the vehicle was purchased.

The vehicle becomes subject to Louisiana sales tax when the person leaves active military service. A credit is allowed for taxes paid to other states under R.S. 47:303(A). This statute is similar to provisions of the ***Federal Soldiers and Sailors Civil Relief Act of 1940*** (50 U.S.C. 574). Because of the provisions of the federal act, the credit allowed for taxes paid other states is not expected to create an additional loss of tax revenues. The purpose of this provision is to reciprocate for the credit allowed by other states.

Legal Citation:	R.S. 47:305.48
Origin:	Acts 1989, No. 435
Effective Date:	September 3, 1989

Beneficiaries: Active military personnel.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: The fiscal effect is included under number 154, Sales Tax Section.

Tax Exemption Contracts

Tax Exemption Contracts
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Tax Exemption Contracts

Introduction

The Board of Commerce and Industry, under the Department of Economic Development, is authorized to grant certain tax exemptions and incentive payments to qualifying businesses. Depending on the legislative intent, businesses must meet specific criteria to be eligible for the various tax exemption and incentive contracts. Once certified by the Board and approved by the Governor, the exemption and incentive contracts are administered by the Department of Revenue. The purpose of these tax exemption and incentive contracts is to encourage specific economic development.

Types of Tax Exemptions

Tax exemptions can be in the form of sales and use tax rebates and exemptions and credits for income taxes, corporation franchise tax, and other taxes imposed by the state.

1. Tax equalization

The Board of Commerce and Industry, with the approval of the Governor, may grant companies who locate new manufacturing establishments, new headquarters, or new warehouse and distribution establishments, various state tax exemptions to equalize the taxes paid to Louisiana with the taxes that would be paid to the other state where the company is located or is contemplating locating.

The statute, enacted in 1966, was amended in 1985 to allow exemptions for location of new corporate headquarters; in 1987 to include new warehousing and distribution establishments; in 1993 to allow any business entity, not just corporations, to qualify for exemptions and to allow exemptions for location of new headquarters; in 1998 by Act 32 to provide Louisiana businesses a right of first refusal as a condition for business and manufacturing establishments to receive certain tax exemptions, by Act 60 to replace set-aside provisions with provisions relating to the economically disadvantaged business, to change the priority for state tax exemptions, and to change the provisions for the review of exemption applications, and by Act 72 to allow manufacturing establishments that employ 175 employees and have already entered into a 10-year tax exemption contract to apply for an additional 10-year contract if they move their headquarter into Louisiana between July 1, 1998 and June 30, 2000 and meet certain other conditions not just corporate headquarters. Currently, tax exemption contracts can be granted as follows:

- rebates of sales and use taxes on purchases and leases of, and repairs to, machinery and equipment used in the on-site operation of the new headquarters facility;
- rebates of sales and use taxes on purchases of tangible personal property used in the construction of the new headquarters facility;

1. Tax equalization *(continued)*

- individual income tax credits;
- corporation franchise tax exemptions or credits;
- corporation income tax exemptions or credits; and,
- exemptions or credits for any other taxes imposed by the state that such businesses are subject.

The exemption contract may be granted for a period not to exceed five years and renewed for periods of up to five additional years, provided that the total number of years of the contract does not exceed ten years. The purpose of this tax exemption contract is to induce new businesses to locate in Louisiana.

Legal Citation: R.S. 47:3201-3205
Origin: Acts 1989, No. 491 Amended by Acts 1990, No. 783; Acts 1993, No. 400; Acts 1998, Nos. 32, 60, and 72.
Effective Date: September 3, 1989

Beneficiaries: The companies that locate new manufacturing establishments, new headquarters, and new warehouse and distribution establishments in the state benefit from these exemptions. The people of the state benefit by the employment, production, and income from these new establishments.

Administration: These tax exemption contracts are administered in a fiscally effective manner.

Fiscal Effect		
	FYE 6-02	**Percent of Total**
Sales Tax	$2,942,001	83%
Corporation Income Tax	$599,167	17%
Total Revenue Loss	$3,541,168	100%

2. Manufacturing establishments

The Board of Commerce and Industry, with the approval of the Governor and the Legislative Budget Committee, can grant tax exemption contracts as follows:

- rebates of state sales and use taxes on materials, supplies, machinery, and equipment used by the business or in the manufacturing process;
- rebates of state sales and use taxes on any other goods and services used or consumed by the business;
- corporation franchise tax exemptions and credits;
- corporation income tax exemptions and credits; and,
- exemptions and credits for any other taxes imposed by the state.

The total amount of tax exemptions for any fiscal year may not exceed four percent of the corporate franchise, corporate income, and sales and use taxes collected in the previous year. The exemption contract may be granted for a period not to exceed five years and renewed for periods of up to five additional years, provided that the total number of years of the contract does not exceed ten years. The purpose of these tax exemption contracts is to encourage industrial development in the state and to encourage the establishment of new and expanded manufacturing industries. R.S. 47:4304(E)(1) was enacted during the 1993 Regular Session of the Louisiana Legislature to require applicants to award ten percent of their purchases of goods and services to minority-owned businesses and R.S. 47:4304(C) was amended by Acts 1998, No. 32 to provide Louisiana businesses a right of first refusal as a condition for business and manufacturing establishments to receive certain tax exemptions.

2. Manufacturing establishments *(continued)*

Legal Citation: R.S. 47:4301-4306
Origin: Acts 1982, No. 773 Amended by Acts 1987, Nos. 356, 535, and 921; Acts 1998, No. 32
Effective Date: September 10, 1982

Beneficiaries: Those companies that establish or expand manufacturing operations within the state benefit from the tax exemptions under this statute. The people of the state also benefit from the employment, production, and income from these businesses.

Administration: These tax exemption contracts are administered in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. No tax rebates or exemptions were granted for fiscal year 2002-03.

3. Enterprise zones

The Board of Commerce and Industry, after consultation with the secretaries of the Department of Economic Development and the Department of Revenue, and with the approval of the Governor, may grant certain tax credits and exemptions to businesses that locate in areas designated as ***enterprise zones***. A new-jobs credit of $2,500 ($5,000 for the aviation and aerospace industry) per qualifying new employee can be applied against corporation franchise and state income taxes. This exemption contract may be granted for a period not to exceed five years and renewed for periods up to five additional years, provided that the total number of years of the exemption does not exceed ten years. Tax exemption contracts can be granted as follows:

- rebates of state and local sales and use taxes on the purchases of material used in building construction or improvement and sales tax on machinery and equipment used in that enterprise;
- jobs credit against corporation franchise tax; and,
- jobs credit against state income tax.

Acts 1999, No. 977 added R.S. 51:1787(H), pertaining to tax exemption contract requests for rebates of local sales tax, to require that an endorsement resolution approved by the local taxing authority be submitted along with the request. In addition, provisions were added to allow for enterprise zone tax exemption contracts, under certain circumstances, for businesses located outside enterprise zones or economic development zones; to require businesses to make a request for sales and use tax credits and rebates before beginning construction or installing machinery or equipment; and to allow tax exemption contracts if a business creates a minimum of the lesser of five new permanent jobs within the first two years of the contract period or a mini-

3. Enterprise zones *(continued)*

mum number of new jobs equal to 10 percent of the existing employees within the first year of the contract period.

Acts 2000, No. 46 added eligibility for tax credits for certain motor vehicle manufacturing establishments.

Acts 2002, 1st Ex. Sess., No. 4 extended expiration of the $5,000 new-jobs credit for the aviation and aerospace industry for four years from June 30, 2002, to June 30, 2006, and allowed areas designated as enterprise zones to retain that designation even if data from the most recent federal decennial census makes the area ineligible for the enterprise zone designation.

Acts 2002, 1st Ex. Sess., No. 153 enacted R.S. 51: 2456(B), to allow firms that receive Quality Jobs Program rebates to also be eligible for Enterprise Zone sales tax rebates if they meet the enterprise zone program job requirements under R.S. 51:1787.

Acts 2003, No. 1203 enacted R.S. 51:1787(J) to provide for application extensions and Acts 2003, No. 1240 amended R.S. 51:1787 to allow a rebate of state and local sales and use tax for the use of customer-owned tooling in a compression molding process.

The purpose of these tax exemption contracts is to stimulate business and industrial growth in depressed areas of the state.

Legal Citation: R.S. 51:1781-1791

Origin: Acts 1981, No. 901; Amended by Acts 1982, No. 393 and 396; Acts 1983, No. 638; Acts 1985, No. 665; Acts 1986, No. 701; Acts 1987, No. 433; Acts 1991, No. 928; Acts 1992, No. 1024; Acts 1995, No. 581; Acts 1997, No. 624, 647, and 1172; Acts 1999, No. 977; Acts 2000, No. 46; Acts 2002, 1st Ex. Sess., No. 4, Acts 2003, No. 1203 and 1240.

Effective Date: September 11, 1981

Beneficiaries: Those companies that locate new business establishments in designated ***enterprise zones*** and meet the criteria of this statute benefit from these exemptions. The people living in these ***enterprise zones*** benefit from the employment, production, and income from these establishments.

Administration: These tax exemption contracts are administered in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. An analysis of the sales tax rebates and income and corporation franchise tax credits and exemptions for FY 2002-03 is as follows:

Fiscal Effect		
	FYE 6-03	**Percent of Total**
Corporation Franchise Tax	$4,894,262	10.4%
Corporation Income Tax	$2,413,514	5.2%
Sales Tax	$39,586,757	84.4%
Total Revenue Loss	$46,894,533	100.00%

4.Research and development parks

The Board of Commerce and Industry, with the approval of the Governor and the Joint Legislative Committee, can grant tax exemption contracts for research and development parks as follows:

- corporation franchise tax exemptions;
- corporation income tax exemptions;
- exemptions from any other taxes imposed by the state;
- rebates of sales and use taxes on machinery, equipment, materials, and building supplies; and,
- rebates of sales and use taxes on any other goods and services.

The total annual amount of the state exemptions may not exceed 100 percent of the liability for corporate franchise, income, and state sales and use taxes of the business for the previous fiscal year for biomedical research and development parks and 30 percent for university research and development parks. This exemption contract may be granted for a period not to exceed five years and renewed for periods of up to five additional years, provided that the total number of years of the exemption does not exceed ten years. The purpose of these tax exemption contracts is to encourage the development of biomedical research and development parks and university research and development parks.

Legal Citations:	R.S. 46:811-814 R.S. 17:3389
Origin:	Acts 1990, No. 464 Acts 1991, No. 1023, Amended by Acts 1992, No. 990
Effective Date:	September 7, 1990 (biomedical research & development parks) September 6, 1991 (university-related research and development parks)

Beneficiaries: Biomedical research and development parks and university-related research and development parks that meet the qualifying criteria will benefit from these exemptions. The people of the state should benefit through improved health care and improved economic conditions and the creation of jobs.

Administration: These tax exemption contracts are administered in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. No tax exemptions have been granted thus far.

5. Quality jobs program

The Board of Commerce and Industry, after consulting with the secretaries of the Department of Labor and the Department of Revenue, and with the approval of the Governor, may enter into contracts with qualifying establishments to grant tax credits to promote economic development and the creation of new jobs. The Louisiana Quality Jobs Program Act was amended by Acts 1996, 1st Ex. Session, No. 39 and the incentive payment was changed to a refundable tax credit. Acts 1998, No. 36 extended the application deadline from January 1, 1999 to January 1, 2001. Acts 2000, No. 46 extended the application approval deadline to January 1, 2003, changed the definition of wages for applications filed after June 1, 2000, added a requirement that the qualifying new jobs must pay an average of one and one-half times the minimum hourly wage, and added requirements for contract renewal.

Acts 2002, 1st Ex. Sess., No. 153 made substantial changes to program effective for all new contracts executed on or after May 1, 2002. The Act also provides that no new applications may be approved on or after January 1, 2005. The Act's provisions are as follows:

1. Allows firms to qualify if they meet ***any*** of the following criteria:
   a. be one of the following six Vision 2020 cluster industries:
      (1) biotechnology and biomedical;
      (2) micromanufacturing;
      (3) software, autoregulation, Internet, and telecommunications technologies;
      (4) environmental technology;
      (5) food technologies; or
      (6) materials;
   b. be a manufacturer as defined by the North American Industry Classification System (NAICS);
   c. be an oil and gas field services business meeting certain wage and business conditions;
   d. have 75 percent of sales to out-of-state customers;
   e. have 50 percent of sales to out-of-state customers and meet one of the following conditions:
      (1) have a direct state employment multiplier of two or greater;
      (2) be a central administrative office that influences the environment in which data processing, customer service, credit accounting, telemarketing, claims processing, and other administrative functions are accomplished;
      (3) have actual data processing, back office, and call-center operations; or
      (4) be a wholesaler with a distribution center that is at least 25,000 square feet in size.
   f. be a National Basketball Association Team that meets certain conditions.
2. Excludes the following entities from the program:
   a. retail employers;
   b. business associations and professional organizations;
   c. state and local government enterprises;
   d. real estate agents, operators, and lessors;
   e. automotive rental and leases;
   f. local solid waste disposal, local sewerage systems, and local water systems businesses;
   g. nonprofit organizations;
   h. employers engaged in the gaming industry; and
   i. attorneys.
3. Lowers the payroll growth requirement from $1 million to $500,000 to be achieved within three years of qualifying for the program. Firms with 50 or fewer employees must achieve $250,000 in payroll growth within three years.
4. Requires a minimum of five new jobs.
5. Increases certain minimum employer-pro-

vided health insurance requirements.

6. Eliminates the five percent maximum calculated payroll subsidy and replaces it with a five percent annual cash rebate on payroll for jobs paying 1.75 times the minimum federal wage level and six percent on payroll for jobs paying 2.25 times the minimum wage level if the establishment meets one of the following criteria:
   a. new direct jobs are located in a distressed region;
   b. location meets other distressed area conditions; or
   c. employer is categorized in one of the traditional or seed clusters identified by the Louisiana Economic Development Council and the Department of Economic Development.
7. Changes the annual refundable tax credit to an annual rebate payment from the state.
8. Allows firms to also claim the Enterprise Zone sales tax rebates if they meet the enterprise zone program job requirements under R.S. 51:1787, which had been prohibited.
9. Allows renewals for five additional years under certain conditions that tie eligible wages to the consumer price index.
10. Requires participants to be current on any public loans or obligations to state or local governments.
11. Companies that fail to reach either $250,000 or $500,000 threshold within three years must leave the program and payback any rebates received.

Acts 2003, No. 847 amended R.S. 51:2453(1)(a)(i)(cc) to change the percentage of health insurance premium that an employer must pay for certain employees and Acts 2003, No. 1240 amended R.S. 51:2453(4) to provide that certain out-of-state employees locating in Louisiana qualify as “new direct jobs.”

Legal Citation: R.S. 51:2451-2462

Origin: Acts 1995, No. 1238, Amended, by Acts 1996, 1st Ex. Sess., No. 39; Acts 1997, No. 596; Acts 1998, No. 36; Acts 2000, No. 46; Acts 2002 1st Ex. Sess., No. 153; Acts 2003, Nos. 847 and 1240

Effective Date: July 1, 1995

Beneficiaries: Those establishments that create new direct jobs and meet the program’s requirements will benefit from the incentive rebates under this program. The people of the state also benefit from the employment, production, and income from these businesses.

Administration: These tax incentive contracts are administered in a fiscally effective manner.

Fiscal Effect		
	FYE 6-02	**Percent of Total**
Corp. Income and Franchise Taxes	$3,488,880	64.7%
Individual Income Tax	$1,905,981	35.3%
Total Revenue Loss	$5,394,861	100.0%

6. Motion Picture Incentive

Motion picture production companies that film in Louisiana are eligible for a refund of any state sales taxes paid. To qualify, the company must spend at least $250,000 in Louisiana during a 12-month period with monies paid from a checking account at a Louisiana financial institution.

Applications must have the recommendation of the assistant secretary for film and video, Department of Culture, Recreation, and Tourism, and be approved by a majority vote of the Board of Commerce and Industry.

Effective July 1, 2002, the following changes were made to the Motion Picture Incentive Program:

- Acts 2002, 1st Ex. Sess., No. 1 amended the definition of motion picture to mean “a nationally distributed feature-length film, video, television series, or commercial” and to specifically provide that the definition does not include production of television coverage of news and athletic events.
- Acts 2002, 1st Ex. Sess., No. 5 changed the sales tax refund to a sales tax exclusion and the requirement that the motion picture production company expend $1 million during a 12-month period was changed to $250,000, effective until January 1, 2007. The Act also provides that if the production company fails to expend the required $250,000, the sales tax will be due as of the date that the purchases were made.
- Acts 2002, 1st Ex. Sess., No. 6 enacted R.S. 47:1125.1 to provide an employment tax credit against income or corporation franchise tax liabilities. The credit is 10 percent of the total payroll for residents employed in the motion picture production if the total payroll is at least $300,000 during the taxable year or 20 percent if the total payroll is $1 million or more. The credits are limited to the company’s tax liability but may be carried forward for 10 years after the credit was earned.

Legal Citation:	R.S. 47:1121 et seq.
Origin:	Acts 1990, No. 480; Amended by Acts 1998, No. 55; Acts 2001, No. 9; Acts 2002, 1st Ex. Sess., No. 1, 5, and 6
Effective Date:	July 18, 1990

Beneficiaries: Motion picture companies that film in Louisiana and meet the spending requirements benefit from this sales tax exclusion and employment tax credit program. State and local economies benefit by the infusion of capital.

Administration: This sales tax exclusion and employment tax credit incentive program is administered in a fiscally effective manner.

Estimated Fiscal Effect: During fiscal year 2002-03 $12,031 in sales tax rebates were issued. The revenue loss from the sales tax exclusion granted under R.S. 47:301(10)(a)(vi) is included under the sales tax exclusion section. We do not have data to predict the future fiscal effect.

7. Technology Commercialization Credit Program

The Department of Economic Development is authorized 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.

Legal Citation: R.S. 51:2351 et seq.

Origin: Acts 2002, 1st Ex. Sess., No. 8

Effective Date: July 1, 2002.

Beneficiaries: Taxpayers that invest in machinery and equipment or make expenditures associated with obtaining the rights to use technology, including fees related to patents, copyrights, and licenses will benefit from this program.

Administration: These tax exemption contracts are administered in a fiscally effective manner.

Estimated Fiscal Effect: We are unable to predict the future fiscal effect because the Department does not have data on approved or pending contracts. No tax credits have been granted thus far.

Telecommunication Tax Exemption

Telecommunication Tax

Introduction

Act 660 of the 1988 Regular Legislative Session levied a tax on each residence and business telephone access line of local exchange companies operating in Louisiana. This tax was for the express purpose of providing access to all public telecommunications services to persons who are deaf, deaf and blind, or who are similarly handicapped. The taxes are collected from the customers monthly and remitted quarterly by each local exchange company. The proceeds from this tax are placed in a special fund designated as the ***Telecommunications for the Deaf Fund***.

Legal Citation

R.S. 47:1061

Tax Base

Use of each residence and business customer telephone access line.

Tax Rate

5¢ per month per line.

Type of Tax Exemption

Effective Date: September 1, 1988

Beneficiaries: The local telephone exchange companies operating in Louisiana who collect the tax from their customers.

Administration: The purpose of this deduction is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$30,000	$30,000

Tobacco
Tax Exemptions

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Tobacco Tax

Introduction

A tobacco tax was first levied in 1926, by Act 197 for the benefit of public schools. Retail dealers were taxed at the rate of 1¢ per 10¢ of the retail selling price of cigarettes, smoking and chewing tobacco, cigars, cheroots, and snuff. The tax was effective October 1, 1926, for a period of four years.

Act 4 of 1932 levied a new tax on sales of cigars, cigarettes and smoking tobacco effective September□1, 1932.The cigarette rate was based on each cigarette sold. Cigars were taxed on weight and price per 1,000 and the tax ranged from 75¢ to $13.50 per 1,000. Smoking tobacco was taxed at 1¢ for each 5¢ of retail selling price. The tax was evidenced by tax stamps supplied by the state and applied by the tobacco dealers who were allowed a discount when purchasing stamps in quantities not less than $100 face value.

The tax rates on cigarettes increased over the years as follows:

1932	Levied at 1/5¢ per cigarette to 4¢ per 20 pack
1942	Increased by 1/20¢ per cigarette to 5¢ per 20 pack
1948	Increased to 2/5¢ per cigarette or 8¢ per 20 pack
1970	Increased to 11/20¢ per cigarette or 11¢ per 20 pack
1984	Increased to 16/20¢ per cigarette or 16¢ per 20 pack
1990	Increased to 1¢ per cigarette or 20¢ per 20 pack
2000	Increased by 4/20¢ per cigarette to 24¢ per 20 pack (Increase effective until June 30, 2012)
2002	Increased by 12/20¢ per cigarette to 36¢ per 20 pack

The tax rates on cigars and smoking tobacco changed in 1942 and 1948, and were eventually set at the current rates in 1974 by Act 413, effective January 1, 1975. A tax on smokeless tobacco was levied effective July 1, 2000.

The discount from the face value of the tax stamp also changed from the original ten percent in 1932 to six percent in 1942; seven percent in 1944; nine percent in 1948; to the current six percent in 1972.

The tobacco tax is currently levied on tobacco products and collected from the dealer who first sells, uses, consumes, handles, or distributes the products within the state. Tax stamps indicate the payment of tax on cigarettes and can only be purchased from the Department by wholesale tobacco dealers who are required to post a bond.

Legal Citations

R.S. 47:841 through 47:869

Tax Base

Cigarettes–per cigarette.
Cigars and smoking tobacco–manufacturer's invoice price.

Tax Rate

- Cigarettes–1.8¢ per cigarette (36¢ per standard package of 20).
- Cigars–8% if manufacturer's invoice price is $120 per 1,000 or less; 20% if manufacturer's invoice price is more than $120 per 1,000.
- Smoking tobacco–33% of the manufacturer's invoice price.
- Smokless tobacco–20% of the manufacturer's invoice price

Types of Tax Exemptions

Tobacco tax exemptions are in the form of discounts, exemptions, and refunds. Discounts are a proportionate deduction from the gross amount reported. Exemptions are items included in the tax base, but specifically exempted by statute. Refunds are restitution of taxes paid.

There are two statutory tax exemptions that are also prohibited from taxation by federal laws. Because of these additional prohibitions, repeal of the exemption alone would not yield the fiscal effect indicated. For this reason, these exemptions have been separately grouped at the end of the section.

Significant Changes Fiscal Year 2002-2003

Act 2003,No.1128 enacted R.S. 47:871 through 878 to provide for the regulation of cigarette sales made through means of telephone, mail, or the internet for delivery in Louisiana. Effective July 2, 2003.

Discounts

1. Discount of six percent for tobacco stamps

A six percent discount from the face value of the cigarette tax stamps is granted to registered tobacco dealers when the gross stamp purchases exceed $100. The purpose of the discount is to provide a volume discount and to compensate dealers for expenses related to tax collection.

Legal Citation: R.S. 47:843(C)(3)
Origin: Acts 1932, No. 4
Effective Date: September 1, 1932

Beneficiaries: Bonded Louisiana tobacco dealers that have direct purchasing contracts with manufacturers and purchase stamps in quantities of $100 or more.

Administration: The purpose of this discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$6,000,000	$6,000,000

2. Discount of six percent for timely filing reports

A six percent discount is allowed for timely and accurately filing reports only on those purchases made by registered tobacco dealers in Louisiana who have a direct purchasing contract with the manufacturer. The reports must be accompanied by payment for any taxes due on cigars and smoking tobacco. The purpose of the discount is to encourage compliance and to compensate dealers for expenses related to the collection and reporting of the tax.

Legal Citation: R.S. 47:851(B)(2)(b)
Origin: Acts 1974, No. 415
Effective Date: January 1, 1975

Beneficiaries: Bonded Louisiana tobacco dealers that have direct purchasing contracts with manufacturers and timely file their tax reports.

Administration: The purpose of this discount is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	FYE 6-05
$500,000	$500,000

Exemption

3. Sales to state institutions

Smoking and chewing tobacco purchased by state institutions for distribution to inmates are exempt from the tobacco tax. The purpose of this exemption is to allow tax-free purchases by state institutions.

Legal Citation: R.S. 47:855
Origin: Acts 1944, No. 150
Effective Date: July 26, 1944

Beneficiaries: Inmates of Louisiana state institutions.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible; less than $10,000.

Refund

4. Return of taxable product to the manufacturer

A refund or credit is allowed for the amount of tax paid on tobacco products returned to a manufacturer either as damaged or unfit for sale. The purpose of this provision is to allow the refund of taxes paid on damaged products returned to the dealer.

Legal Citation: R.S. 47:857
Origin: Acts 1932, No. 4
Effective Date: September 1, 1932

Beneficiaries: Licensed tobacco dealers.

Administration: The purpose of this refund is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$1,200,000	$1,200,000

Federally imposed exemptions

5. Sales to federal government and its agencies

Sales of tobacco products to the U.S. Government or any of its agencies direct from the manufacturer are exempt from tobacco taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: No specific statute
Origin: U.S. Constitution
Effective Date: September 1, 1932

Beneficiaries: U.S. government agencies.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect: Negligible; less than $10,000.

6. Interstate shipments of tobacco products

Cigarettes and smoking tobaccos exported beyond the borders of Louisiana are not subject to tobacco taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

Legal Citation: R.S. 47:849
Origin: Acts 1932, No. 4
Effective Date: September 1, 1932

Beneficiaries: Licensed tobacco dealers engaged in interstate commerce.

Administration: The purpose of this exemption is achieved in a fiscally effective manner.

Estimated Fiscal Effect	
FYE 6-04	**FYE 6-05**
$16,000,000	$16,000,000