



Tax Topics

www.rev.state.la.us

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"The mission of the Louisiana Department of Revenue is to administer applicable laws and collect revenues to fund state operations."

Cynthia Bridges

Internet Sales Tax Filing Program

Taxpayers may now submit state sales tax returns through the Internet as an alternative to preparing and filing the traditional paper sales tax return.

"We are encouraging businesses to participate in the Sales Tax Internet Filing Program," Revenue Secretary Cynthia Bridges says. "There's no cost to the taxpayer and it simplifies their tax administration and compliance burdens by eliminating the need to manually prepare and mail paper tax returns."

Secretary Bridges says access to the system is secure and any information transmitted is protected from unauthorized access. She adds that participation is entirely voluntary, but any business that elects to use the Internet Filing Program must be registered for sales tax with the Department and have a current open sales tax account. Before submitting returns, a business must follow these pro-

cedures to register to use the system:

1. Log onto the Department's Internet site at <https://webtax.rev.state.la.us>;
2. Complete the on-line Sales Tax Internet Filing Application;
3. Select a Personal Identification Number (PIN) that will serve as the business' electronic signature on its sales tax returns; and,
4. Print out, sign, and mail or fax the application to the address or fax number on the form.

Businesses should allow 10 days from the date their applications are mailed or faxed for their PIN to be activated, which will allow sales tax returns to be filed via the Sales Tax Internet filing system.

Any business that is currently required to make sales tax payments via electronic funds transfer (EFT) will continue to be required to submit those payments through

EFT. Debit EFT payers may also use the Sales Tax Internet Filing Program to submit their payments or they may continue to use their current payment method. Internet filers may initiate an EFT debit payment to be transferred on a date that the filer requests (up to 30 days later), which allows a business to file early and have the payment transferred at a later date. The payment must be transferred by the due date in order to avoid interest and penalties.

EFT credit payers must continue to initiate the funds transfer as currently required.

Businesses that are not EFT payers must print out the Remittance Advice Form from the Department's web site and mail it with their check by the due date.

Further information concerning this program may be obtained from the Sales Tax Division at (225) 925-7356.

Tax Year 2000 Booklets Mailed

% During the first two weeks of January, more than 850,000 taxpayers were mailed a tax year 2000 individual income tax booklet. This is 150,000 booklets less than were mailed last year because taxpayers who use alternative methods of filing, such as TeleFile or electronic filing, were not mailed the pre-addressed booklets. By not printing and mailing these unneeded booklets, the state realized a printing and postage savings of approximately \$65,000.

This year, both the IT-540 Resident return and the IT-540B Nonresident return remain in a machine-scannable for-

mat that allows automatic processing of equipment to capture income tax information directly from the return. A number of changes have been made to this year's returns. On the Resident return, legislation passed last year has reduced the Excess Itemized Deduction to 50 percent of its calculated total. A worksheet to calculate the amount was added to the back of the return.

A line was added to the Resident return for taxpayers to report any Consumer Use Tax they owe on purchases made from catalogs, the Internet, or on out-of-state purchases. A worksheet to figure the

Consumer Use Tax has been added to the Schedule D (Donations) page. The Consumer Use Tax line and worksheet were added as a convenience to the taxpayer to make it fast and easy to report and pay any Consumer Use Tax due.

The Education Credit line has been removed from the Resident return this year. The education credit was suspended for two years by the Legislature during the 2000 Session. The "Louisiana Chapter of Ducks Unlimited" donation line was also removed from the list of Donations (Schedule D) in accordance with Revised Statute

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Constitutional Amendments Fail in November 7, 2000 Election

≥ The two constitutional amendments to revise the individual income tax rates and remove the "temporary" four percent sales tax on food for preparation in the home, water, electricity, and natural gas, failed to pass in the November 7, 2000 general election. Voters narrowly approved Proposition 3 to eliminate the temporary sales tax, but Proposition 2 failed by a wide margin. Both Propositions were required to pass in order for the state's constitution to be amended.

Failure of the Propositions means that food and utilities, as well as most other exempt items will continue to be taxed at four percent until June 30, 2002, because the exemptions have been suspended by the Louisiana Legislature. However, prescription drugs, seed and fertilizer sold to farmers, purchases by commercial fishermen, food stamp and WIC purchases, and various other items specifically excluded in Act 18 of the First Extraordinary Session of 2000 and Act 33 of the 2000 Regular Session will continue to be exempt from sales tax.

Although the individual income tax rates did not change, the 2000 individual income tax returns to be filed this year will reflect the amendments enacted by Act 38 of the 2000 Regular Session. This Act suspended for two years the \$25 Education Tax Credit allowed for dependent children enrolled in kindergarten through 12th grade and limited the deduction for federal excess itemized deductions to one-half, which will only affect taxpayers who itemize on their federal income tax return.

Two plead guilty to mail fraud

X A husband and wife team recently pled guilty to mail fraud in the United States Eastern District Court in Virginia for their attempt to defraud Louisiana and several other states by filing fraudulent individual income tax returns.

According to the Department's Special Investigations Division (SID), Daniel D. Capozello, 30, of New Hampshire, pled guilty to mail fraud on August 23, 2000, and is in prison awaiting sentencing. Mail fraud carries a maximum penalty of five years imprisonment and a \$250,000 fine. Capozello's wife, Brunila Fuentes, 28, currently from Virginia, pled guilty on July 26, 2000, to aiding and abetting mail fraud. She is also awaiting sentencing.

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Booklets Mailed (continued)

47:120.37(B), which requires the removal of items from Schedule D anytime donations fall below \$10,000 for two consecutive years.

Another change this year is the elimination of unaddressed booklets that contain both the instructions and blank returns. Instead, instruction booklets and return forms will be printed separately. Each will be available at all libraries and regional offices of the Department. This change follows the cost-savings example set by the Internal Revenue Service whereby instruction booklets are printed on recycled newsprint-type paper and return forms are printed separately on a better grade of paper. Blank mailing envelopes are also available separately.

Again this year, substitute forms produced from commercial software programs that have been approved by the Department will be accepted for processing. A list of companies whose substitute forms have been approved can be obtained from the Department's Internet web page at <http://www.rev.state.la.us>.

In addition to TeleFile, electronic filing, and filing through a paid preparer, taxpayers will again have the option of filing their return on-line from their own per-

sonal computer. A list of approved on-line filing software providers can be obtained from the Department's web page. However, taxpayers should remember that these providers may charge for their software or for the transmission of the on-line filing. This year, the Department is offering free Internet filing of the state return only through its web site. A taxpayer may take advantage of this free service if he meets the following require-

ments: filed a 1999 return, has not had an address change from last year; does not have an inventory tax credit; and does not need to file a Louisiana Schedule A or Schedule E. Once a taxpayer has filed an on-line return, a signed state signature document (Form LA8453OL), the state copies of W-2s, and all supporting documents must be maintained by the taxpayer for three years from December 31 of the year in which the taxes were due.

Important points for taxpayers

1. Under Revised Statute 47:101(A)(1), all individuals who are required to file a federal individual income tax return are also required to file a Louisiana individual income tax return.
2. Do **NOT** submit a photocopy of an original scannable income tax form IT-540 or IT- 540B.
3. Do **NOT** staple W-2s or other pages to the return. Use paper clips.
4. Submit only an **ORIGINAL LASER COPY** of substitute returns.
5. Be sure the return has been signed before mailing.

Important point for preparers

Tax preparers should ensure that the address used to prepare a client's substitute return is current and correct. If an old address in the preparer's software is used to prepare a return, the Department's processing protocol assumes that the address listed on the return is the current correct address and automatically updates the taxpayer's file with that incorrect address. This will delay a client's refund or cause unnecessary billings to be issued.

Streamlined Sales Tax Project

\$ The State of Louisiana, through the Department of Revenue, is participating with 38 other states in an initiative called the Streamlined Sales Tax Project. This project is an effort by state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax administration.

The project system incorporates uniform definitions within tax bases, simplified audit and administrative procedures, and emerging technologies in order to substantially reduce the burdens of tax collection. The project focuses on improving sales and use tax administration systems for all sellers and types of commerce.

Of the 39 states participating in the project, 27, including Louisiana, are voting participants because their legislatures have enacted enabling legislation or their governors have issued executive orders or similar authorization. Louisiana is participating through an executive order issued by Governor Mike Foster. Twelve states are nonvoting participants because they do not have a formal commitment from their state's executive or legislative branches.

The Streamlined Project has addressed issues through a steering committee and four work groups. The groups are as follows: Tax Base and Exemption Administration; Tax Rates, Registration, Returns, and Remittances; Technology, Audit, Privacy, and Paying for the System; and Sourcing and Other Simplifications. The work groups have invited businesses to participate in their meetings, review their work products, and provide feedback. The steering committee has actively engaged national retailers and retail organizations, state tax organizations, and other interested businesses in discussions and project strategy.

The key features of the Streamlined Sales Tax System include:

- Uniform definitions within tax bases. Legislatures still choose what is tax-

able and exempt, but will use these common definitions.

- Simplified exemption administration for use- and entity-based exemptions. Sellers are relieved of the "good faith" requirements that exist in current law and will not be liable for uncollected tax. Purchasers will be responsible for incorrect exemptions claimed.
- Rate simplification. States will be responsible for the administration of all state and local taxes and the distribution of the local taxes to the local governments. State and local governments will use common tax bases and accept responsibility for notice of rate and boundary changes. States will be encouraged to simplify their own state and local tax rates.
- Uniform sourcing rules. The states will have uniform sourcing rules for all property and services.
- Uniform audit procedures. Sellers who participate in one of the certified Streamlined Sales Tax System technology models will either not be audited or will have a limited scope audit,

depending on the technology model used.

- Paying for the system. To reduce the financial burdens on sellers, states will assume the responsibility for implementing the Streamlined Sales Tax System.

The Streamlined Sales Tax System will provide sellers the opportunity to use one of three technology models. Model 1 is where a Certified Service Provider performs all of the seller's sales tax functions. Model 2, a Certified Automated System, performs only the tax calculation function. A larger seller with nationwide sales that has developed its own proprietary sales tax software may select Model 3 and have its own system certified by the states. However, some sellers may choose to continue to use their current systems and still enjoy the benefits of simplification.

The Streamlined Sales Tax Project will produce model legislation to be considered in year 2001 legislative sessions. Before finalization by the participating states, the model legislation, which will be drafted by the project, will be reviewed by a group of legislative attorneys not working on the project. Project work on additional elements of the system will continue throughout 2001. These elements will include additional uniform tax base definitions, a uniform tax return, and any model legislation that results from conduct of the technology pilot.

Mail fraud

(continued)

Louisiana's participation in a national program known as the "Suspicious Filer Exchange of Information Program" helped discover the fraudulent scheme. The program allows states to exchange information about suspicious or potentially fraudulent individual income tax information. The SID investigation flagged the names of individuals received through the exchange program and revealed that Capozello and Fuentes had filed multiple fraudulent individual income tax returns using various aliases for the purpose of obtaining state refund checks. U.S. Postal Inspector Pat Longton of Virginia prosecuted the two individuals on behalf of Louisiana and the other states affected by the fraudulent scheme.

Correction

An incorrect telephone number for the Unclaimed Property Program that was transferred to the State Treasurer's Office on July 1, 2000 was published in the October 2000 issue of *Tax Topics*. The correct toll-free number for the Unclaimed Property Program is 1-888-925-4127.

Louisiana Tax Topics Index (Vol 20, Nos. 1-4)

* Vol. 20, No. 3 (July 2000) was not published because of last minute legislative changes.

** Act numbers are for the 2000 Regular Legislative Session unless denoted as 1st or 2nd Extraordinary Legislative Sessions of 2000.

Subject	No.	Month
Corporation Income and Franchise Taxes		
Definition of Inventory Upheld (Southlake Co.)	2	April 2000
Jury Verdict Favors Department (Tenn. Gas Pipeline Co.)	2	April 2000
Withholding Tax Filing Changes for 2000	1	January 2000
Excise Taxes		
Tobacco Tax Increase (Act 32)	4	October 2000
Inheritance Tax		
Payable on Death Bank Accounts	2	April 2000
Legal		
Former Officer Charged	4	October 2000
Lafayette Woman Sentenced on Tax Charge	2	April 2000
Two Plead Guilty	4	October 2000
Miscellaneous		
Address Sources for Tax Notices (Act 142-1 st ES)	4	October 2000
Electronic Funds Transfer Rule Amended (LAC 61:I.4910)	2	April 2000
Important Notice to Tax Preparers	1	January 2000
Major Tax Changes Contingent on Approval (Acts 48-49)	4	October 2000
Multistate Voluntary Disclosures	1	January 2000
Rate of Judicial Interest Determined	2	April 2000
Rule - Procedures for Refund Claims or Credit (LAC 61:I.4909)	2	April 2000
Rule Provides for Signature Alternatives (LAC 61:I.4905)	2	April 2000
Tax Topics Index for 1999	1	January 2000
Telecommunications Services Tax Changes (Act 22)	4	October 2000
Unclaimed Property Program Moved to Treasury (Act 135-1 st ES)	4	October 2000
Personal Income		
1999 Tax Return Booklets Mailed	1	January 2000
Limit Excess Federal Itemized Deductions (Act 38)	4	October 2000
Disability Income Tax Exemption (Act 34)	4	October 2000
Filing of Composite Returns (Act 21-2 nd ES)	4	October 2000
Free Seminars on Federal/State Electronic Tax Filing	4	October 2000
Income Tax on Estates and Trusts (Act 40)	4	October 2000
La. Jobs Quality Program Tax Credits (Act 46)	4	October 2000
Special Announcement - Selective Mailing of Booklets	1	January 2000
State Return Required to be Filed	1	January 2000
Student Tuition Assistance Program (Act 45)	4	January 2000
Technical Advisory Memorandum Issued (99-003)	2	April 2000
Sales Tax		
Cost Price for Refinery Gas (2000)	2	April 2000
Exclusion for Food Donated to Food Banks (Act 44)	4	October 2000
Exclusion for Funeral Directing Services (Act 47)	4	October 2000
Extend Boiler Fuel Exemption (Act 28)	4	October 2000
Extend Exemption for Trucks, Rolling Stock (Act 27)	4	October 2000
Is a Transaction a Rental or Service	1	January 2000
Raw Materials Exclusion (Falco Lime, Inc. v. Kennedy)	1	January 2000
Sales Tax Exemptions Suspended (Act 33 & Act 18-1 st ES)	4	October 2000
Suspension of Exemptions (Act 7-2 nd ES)	4	October 2000
Auto Rental Tax Extension (Act 18)	4	October 2000
Taxation of Manufactured Housing (Act 30)	4	October 2000
Severance Tax		
Natural Gas Severance Tax Rate Change	4	October 2000
Oil Field Site Restoration Fee	1	January 2000
Timber Rates Established for 2000	2	April 2000
Two Severance Tax Rules Repealed (LAC 61:I.2905 & 2907)	1	January 2000

New division created

A Policy Services Division has been created within the Department to define the Department's policymaking process and become the single source of contact for official policy guidance for employees and the public.

Secretary Cynthia Bridges says the goals of the Policy Services Division are to provide the public with regular policy guidance in a timely manner; review legislation and regulations; recommend improvements for simplification and ease of compliance; and provide employees with the tools to enforce the tax laws correctly, consistently, and fairly.

Placed organizationally under the Office of Legal Affairs, the Policy Services Division will have responsibility to draft and oversee the approval process for Rules, Private Letter Rulings (PLRs), Revenue Rulings, Statements of Acquiescence and Nonacquiescence, and Revenue Information Bulletins (RIBs). The division will also absorb the legislative and research services formerly performed by the Research and Technical Services Division, which has been dissolved to make way for the new division.

Policy Services will be comprised of four programs: Legislative and Research Services; Sales Tax; Income and Corporation Franchise Taxes; and Miscellaneous Taxes and Regulatory Services. Each program will be headed by a Senior Policy Consultant with a small staff of attorneys and Revenue Tax Research Analysts.

Tax Topics is a quarterly publication of the Louisiana Department of Revenue. Information contained herein is of a general nature; taxpayers requiring information concerning a specific tax matter should contact the appropriate tax office. Subscription information may be obtained from the Public Affairs Bureau at the address below, or by calling (225) 925-6823.

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