

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
Secretary

2D barcode being used



This tax season, the Louisiana Department of Revenue is implementing a pilot program with *H & R Block* and *STF Services* to put a scannable two-dimensional (2D) barcode on their computer-generated copies of the IT-540 resident and IT-540B nonresident individual income tax returns.

The 2D barcode technology provides the taxpayer with a more accurate and timely tax return because the barcode contains all the information that is entered on the computer-generated return. The software encodes the tax information into a 2D barcode, which then allows the return to be processed in a fraction of the time it takes to process the traditional paper return. Taxpayers should note that this pilot program involves only two commercial software vendors and the 2D barcode will **not** be found in printed tax booklets mailed or supplied by the Department.

If a taxpayer uses *H & R Block* or *STF Services* software to prepare a tax return, the approximately 2 X 4-1/2-inch 2D barcode may appear in the upper right-hand corner of the computer-generated return. On computer-generated returns from all other approved software companies, the upper right-hand corner will remain blank.

Under the pilot program agreement, *H & R Block* and *STF Services* must obtain final approval from the Louisiana Department of Revenue before releasing or distributing tax software capable of generating 2D barcodes.

Questions concerning 2D barcodes should be submitted to: Jeannie Rasmussen, Louisiana Department of Revenue, Bureau of Public Affairs, 617 North Third St., Baton Rouge, LA 70802 – Telephone (225) 219-2760 – E-mail: jrasmussen@rev.state.la.us.

Withholding tax filing frequency update

The annual withholding tax filing frequency update for employers took place December 1, 2002. Letters were mailed at that time informing employers of the projected change for filing their withholding taxes. Those employers who are affiliated with a payroll tax service need to inform their tax service of any change in time for the tax service to begin filing the January withholding returns in a timely manner.

Constitutional Amendment 2 goes into effect



Constitutional Amendment 2 (Act 51 of the Regular Session of the 2002 Louisiana Legislature)

was passed by voters in the November 5, 2002, elections and will go into effect on January 1, 2003.

The Act, also known as the "Stelly Plan" after its author Rep. Vic Stelly of Lake Charles, repeals certain temporary sales taxes and provides for the revision of individual income tax brackets. It also repeals the deduction for excess itemized federal deductions on the state income tax return.

The state sales tax rate on food for home consumption, and electricity, natural gas, and water sold for residential use, was reduced from 3.9 percent to 2 percent on January 1, 2003. The sales tax on these items will be completely eliminated on July 1, 2003. The Department has revised the state sales tax return to reflect the sales tax changes. The newly revised return will be mailed to sales tax filers beginning with January 2003.

Individual income tax withholding tables and formulas have also been revised and are available on the Department's website at www.rev.state.la.us. Printed copies of the new withholding tables are also available from any office of the department. Revised individual income tax returns will be mailed to taxpayers in January 2004 (for the 2003 tax year).

Taxpayers with questions about revisions to the sales tax return or to the individual income tax withholding tables should contact the Taxpayer Services Division at 225-219-0102, or any regional office of the Department.

Tax Year 2002 booklets mailed

X More than 625,000 taxpayers were scheduled to be mailed a tax year 2002 individual income tax booklet during early January. This number represents a reduction of approximately 50,000 booklets from what was mailed last year because a growing number of taxpayers are electronically filing their return. The number of pre-addressed booklets being mailed has been reduced by approximately 850,000 over the last four years at a savings of more than \$400,000 in printing and postage costs.

This year, both the IT-540 resident return and IT-540B nonresident return remain in a machine-scannable format that allows automatic processing equipment to capture income tax information directly from the return. Taxpayers should note that the state has discontinued the alternative filing method TeleFile this year. Taxpayers who TeleFiled last year should have already received a letter informing them that this optional way of filing has been discontinued.

There are some changes to both return booklets this year. The modified federal worksheet has been removed from both the IT-540 resident return and the IT-540B nonresident booklets. On the IT-540 resident return, the excess itemized deduction has been increased from 50 percent to 57.5 percent, and the worksheet for this item has been moved to the top of Schedule D (Donations). An interest and penalty calculation worksheet has been added to the booklet. Although the Consumer Use Tax worksheet remains in the IT-540 resident booklet, the Excise Consumer Use Tax worksheet has been removed and is now available on the Department's web page at www.rev.state.la.us. On the IT-540 nonresident return, the lines for Adjustments to Income and the Total Louisiana Income have been removed.

New to the IT-540 resident return booklet this year is Schedule A – Part 2 – Refundable Tax Credits and Payments. Payments on declarations, payments with extensions, and credit carried forward have been moved to this schedule. Also moved to this schedule are the Inventory Tax Credit and credit for property taxes paid by telephone companies. A new credit,

Prison Industry Enhancement Program (PIE), has also been added to this schedule.

With regard to Schedule D (Donations) in both the IT-540 resident booklet and IT-540B nonresident booklet, the Louisiana Breast Cancer Task Force and the Children's Trust Fund have been removed.

Again this year, unaddressed IT-540 resident booklets and IT-540B booklets will be available at all libraries and regional offices of the Department. The booklets will contain blank returns and instructions. Taxpayers have the option to file their returns via electronic filing, through a professional paid-preparer, or on-line from their personal computer. A list of approved on-line filing software providers can be found on the Department's web page. However, taxpayers should remember that these providers may charge for their software or for transmission of the on-line filing.

Free Internet filing of the state return is available again this year through the Department's web page at www.rev.state.la.us. Substitute forms produced from commercial software programs that have been approved by the Department will be accepted for processing again this year. A list of companies whose substitute forms have been approved by the Department can be found on the Department's web page.

Taxpayers, please note:

TeleFile, the optional alternative method of filing the state individual income tax return, is being discontinued as of the 2003 filing season (2002 tax year). For the fastest refund time, it is recommended that they file their returns electronically through their personal computer using software approved by the Department, or through a paid professional tax preparer using Department approved software. Lists of approved software and approved tax preparation companies are on the Department's web page at www.rev.state.la.us.

Important points for taxpayers

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1. Individuals required to file a federal 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 forms.
 5. Be sure the return has been signed before mailing.

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 on the return is the current correct address and automatically updates the taxpayer's file with the incorrect address. This will delay a client's refund and cause unnecessary billings to be issued.

First-time filer Mark Sense Box

✓ The mark sense box for first-time filers is located just above the signature line on the handprint individual income tax return. Utilizing this box will expedite the addition of new taxpayer information on the Department's mainframe computer system and subsequently expedite the issuance of any refund due.

Amended Return Mark Sense Box

✓ The mark sense box on both the handprint and computer-generated individual income tax returns should be utilized anytime a subsequent return is filed to provide additional information, correct calculation errors, or any other reason that necessitates an amended return be filed. By utilizing this box, the taxpayer will expedite the account review process required when more than one return is submitted for processing.

Revenue Rulings



All Revenue Rulings are available on the Department's website at www.rev.state.la.us under "Rules and Legislation." Because of space limitations, *Tax Topics* does not print the rulings in their entirety. The following are recent Revenue Rulings:

Administrative

No. 02-011 – Admissibility of Electronic Images as Original Records. (08-29-2002)

No. 02-016 – Tax Clearance Required for Lottery Retailer's License and Lottery Vendor Contract; Exception Provided for Items under Formal Appeal. (10-10-2002)

Corporation Income and Franchise Taxes

No. 02-002 – Mortgage Recourse Reserves Included in the Franchise Tax Base. (8-30-2002)

No. 02-009 – Conformity with Additional First Year Depreciation and NOL Provisions of the Federal Jobs Creation and Worker Assistance Act of 2002. (8-26-2002)

No. 02-010 – Conformity with Federal Extraterritorial Income Provisions. (8-26-2002)

No. 02-015 – Inclusion of Certain Indebtedness in the Franchise Tax Base. (08-27-2002)

No. 02-018 – Determination of the Corporation Franchise Tax of the Corporate Member of a Single Member Limited Liability Company. (10-22-2002)

Personal Income Tax

No. 02-009 – Conformity with Additional First Year Depreciation and NOL Provisions of the Federal Jobs Creation and Worker Assistance Act of 2002. (8-26-2002)

No. 02-010 – Conformity with Federal Extraterritorial Income Provisions. (8-26-2002)

No. 02-013 – Credit for Taxes Paid to Another State by Louisiana's Congressional Delegation. (8-30-2002)

No. 02-014 – Income Received by Individual Shareholders from Banks that are S Corporations. (9-5-2002)

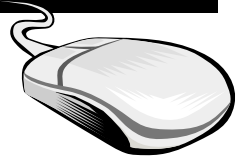
Sales Tax

No. 02-008 – The Phased-in Exclusion of Custom Computer Software From the Definition of the Term "Tangible Personal Property" for Sales Tax Purposes. (08-28-2002)

No. 02-012 – The Sales Taxability of Television and Radio Audience Survey Information. (08-30-2002)

No. 02-017 – Sales Tax Exemption for Farm Products Sold "Direct From the Farm." (10-23-2002)

Quick as a Click!



File your Louisiana Sales Tax and/or Withholding Tax return through the Internet at www.rev.state.la.us For more information, call (225) 219-7356.

Louisiana Tax Topics Index (Vol 22, Nos. 1-4)

Subject	Month
Administrative	
Adopted rules available on web page	April 2002
Baton Rouge Region, Charitable Gaming, and ATC move to single location	January 2002
CyberShame a success	April 2002
Judicial interest rates for refunds	April 2002
Policy statement subscription service now available	January 2002
Private Letter Rulings - available on Department's web page	January 2002
Revenue headquarters now in LaSalle Building	January 2002
Revenue Rulings - available on Department's web page	January 2002
Robinson named Assistant Secretary	April 2002
Rule Adopted (LAC 61:1.4911) Delivery date and timely filing and payments	January 2002
Tax Amnesty	January 2002
Tax Topics Index - Vol. 21, Nos.1-4	January 2002
Alcohol and Tobacco Control	
Act 144 (First Extraordinary Session) -	
Increase permit fees for dealers in low alcohol content beverages	October 2002
Collection	
Act 36 (Regular Session) - Exemption amounts considered tax if issuance terms violated	October 2002
Act 47 (Regular Session) - Suspension of exemption for final, nonappealable judgment	October 2002
Excise Taxes	
Act 14 (Regular Session) - Refund or credit of taxes paid on damaged low alcoholic beverages	October 2002
Act 19 (Regular Session) - 12 cents tax increase per pack of cigarettes	October 2002
Act 21 (Regular Session) - Extends additional tobacco tax until June 30, 2012	October 2002
Act 28 (Regular Session) - Definition of Fire Truck and the purchase of dyed fuel by fire departments	October 2002
Act 96 (First Extraordinary Session) - Tobacco stamps for non-participants in Master Settlement Agreement	October 2002
ICFT	
Act 8 (First Extraordinary Session) - Provides for the Technology Commercialization Credit Program	October 2002
Act 9 (First Extraordinary Session) - Income and corporation tax credits for increased research activities	October 2002
Act 153 (First Extraordinary Session) - Revision to quality jobs program	October 2002
Act 10 (Regular Session) - Net operating loss carryback for corporations	October 2002
Act 17 (Regular Session) - Corporation income tax applicable to qualified Subchapter S subsidiaries	October 2002
Act 24 (Regular Session) - Limit the deductibility of excess itemized deductions	October 2002
Act 25 (Regular Session) - Revise the tax credit for childcare expenses and suspend the education credit	October 2002
Act 30 (Regular Session) - Authorizes an S Bank shareholder to exclude S Bank nontaxable income	October 2002
Act 32 (Regular Session) - Refundable credit - income & franchise taxes for purchase for PIE construction	October 2002
Act 38 (Regular Session) - Exclude from borrowed capital certain indebtedness	October 2002
Act 51 (Regular Session) - Revise individual income brackets and repeal certain taxes ..	October 2002
Act 54 (Regular Session) - 10 percent tax credit - long-term care insurance premiums ..	October 2002
Act 59 (Regular Session) - A deduction for taxable capital for insurance holding corporations	October 2002

Louisiana Tax Topics Index (continued)

Subject	Month
Act 60 (Regular Session) - Tax credit for the rehabilitation of a historic structure	October 2002
Act 65 (Regular Session) - Corporation income and franchise tax apportionment, broadcasting businesses	October 2002
Act 66 (Regular Session) - Tax credit - low income community investments	October 2002
Act 68 (Regular Session) - Exemption for composite payment requirements for nonresident partners	October 2002
Act 72 (Regular Session) - Income tax credit for Dentists	October 2002
Act 84 (Regular Session) - Extends until December 31, 2003 new capital certified into capital companies	October 2002
Declaration of estimated tax requirements changed	January 2002
Effect of 2001 federal tax advance payment eliminated	January 2002
Private Letter Rulings issued - available on Department's web page	January 2002
Revenue Information Bulletin - Injunction for enforcement of religious entity sales tax exclusion	July 2002
Sales Tax on service contracts and extended warranties	July 2002
Sales Tax returns can be E-filed	July 2002
Small business workshops scheduled	October 2002
Tax year booklets mailed	January 2002
Withholding Tax added to E-file program	July 2002
Miscellaneous	
Act 15 (Regular Session) - Gift tax exclusions	October 2002
Inheritance Tax rates to reduce	July 2002
Joint accounts and inheritance tax	July 2002
Sales Tax	
Act 3 (First Extraordinary Session) - Sales and use tax exclusion, biotechnology research companies	October 2002
Act 5 (First Extraordinary Session) - Sales tax exclusion, motion picture production companies	October 2002
Act 7 (First Extraordinary Session) - Sales and use tax exclusion, certain custom computer software	October 2002
Act 98 (First Extraordinary Session) - Annual filing of sales tax returns by state entities	October 2002
Act 99 (First Extraordinary Session) - Compensation for timely remittance of taxes by dealers	October 2002
Act 22 (Regular Session) - Continuation of suspension of exemptions	October 2002
Act 27 (Regular Session) - Tax exemption for nonprofit literacy organizations	October 2002
Act 31 (Regular Session) - Tax exemption for drilling rigs in outer continental shelf waters	October 2002
Act 40 (Regular Session) - Defines foreign or interstate coastwise commerce	October 2002
Act 41 (Regular Session) - Defines foreign or interstate coastwise commerce and component parts	October 2002
Act 58 (Regular Session) - Exclude from state tax nonservice provider distribution of telephone directories	October 2002
Act 61 (Regular Session) - Sales tax exclusion - digital TV and radio equipment by FCC license holders	October 2002
Act 62 (Regular Session) - Automobile demonstrators need not be titled in dealer's name	October 2002
Act 67 (Regular Session) - Sales tax exclusion for certain costs of certain publishing businesses	October 2002
Act 70 (Regular Session) - Sales tax exclusion - nonprofit blood banks and collection centers	October 2002
Act 71 (Regular Session) - Sales tax exclusion - leuko reduction filters used by blood banks and centers	October 2002
2nd Annual Joint Revenue/Rapides Parish Sales & Use Tax Seminar held	April 2002
Private Letter Ruling 01-007 - Sales Tax Treatment of Leased Equipment Rendered Immoveable	January 2002
Sales and Use Tax on newspaper inserts	April 2002
Severance Tax	
Act 74 (Regular Session) - Reactivation - exemption for inactive oil and gas wells	October 2002
Revenue Information Bulletin - Collection of Oil Spill Contingency Fee to Resume	January 2002
2002 Cost Price for refinery gas	April 2002
2002 Severance Tax rates for timber products	April 2002

Revenue Information Bulletins

All Revenue Information Bulletins are available on the Department's web page at www.rev.state.la.us under "Rules and Legislation." Because of space limitations, Tax Topics does not print the Revenue Information Bulletins in their entirety. The following are recent Revenue Information Bulletins:

Sales Tax

No. 02-013 - Concerning New Sales Tax Exclusions for Certain Purchases by Nonprofit Blood Banks and Blood Collection Centers. (08-29-2002)

No. 02-014 - Concerning the Sales and Use Taxable Basis of Newspapers That Are Published and Distributed at No Cost to Readers. (08-29-2002)

No. 02-015 - Concerning a Preliminary Judicial Injunction Prohibiting the Enforcement of Act No. 85 of the 2002 Regular Session of the Legislature Related to the Sales and Use Taxes Payable on Wireless Telephones. (09-18-2002)

No. 02-016 - Concerning the Sales and Use Tax Exemption of Certain Fuels Used and Consumed for Farm Purposes. (10-17-2002)

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 Section at the address below, or by calling (225) 219-2760.

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