

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

Cynthia Bridges  
Secretary

## Message from LDR Secretary, Cynthia Bridges

Hello my fellow Louisiana Taxpayers:

My staff and I are dedicated to an ongoing initiative to make LDR information easily accessible to all Louisiana taxpayers. This initiative is accomplished in a number of ways. It can be as simple as making sure our customers know how to navigate our website. For instance, you may be interested in finding information on the recently extended deadlines, applications for natural disaster sales tax refunds, or filing electronically. In addition to our website, LDR hosts regularly scheduled public presentations and professional seminars that cover a variety of tax subjects. These programs are open to the public. But where can you find a resource that makes navigating such a large information database easier? Subscribe electronically to Tax Topics!

Even if you are one of the many taxpayers familiar with this publication, I'd like to take a moment to reacquaint you with it. Tax Topics is now an important part of LDR's ever-expanding electronic information database. Whether you are an individual taxpayer, business representative or practitioner, Tax Topics can direct you to the information you need for effective tax planning.

I'd like to make one final point. We are all partners in the rebuilding of our state. As an information source, Tax Topics can play a vital role in achieving that goal. Frankly, I doubt that any community in the nation envies our current circumstances. But I am convinced that those who have already written off our state as an environment perhaps too challenging for renewal and development will, in a few years, envy the experiences we have gained in having gone through and survived this unprecedented tragedy. I'll even take that one step further and predict that after the hard work is done, many more will have a desire to join us in our restored community. As we all embark upon the journey to make that happen, LDR is dedicated to directing you to the resources you need along the way! Enjoy Tax Topics!

Cynthia Bridges, Secretary  
Louisiana Department of Revenue

## Legislative Session Summaries

The following are the 2006 First Extraordinary Legislative Session summaries by the Louisiana Department of Revenue affecting Income, Sales and Severance Taxes:

### Income Tax

Act 25 (HB 21) makes the following changes to R.S. 47:293, which are retroactive to the 2004 income tax year:

1. Amends R.S. 47:293(3)(b)(i) to provide that the Louisiana federal income tax deduction will not be reduced by any federal disaster relief income tax credits or casualty loss deductions and not just the federal disaster relief credits and casualty losses related to Hurricanes Katrina or Rita.

(...continued on page 2)

## **(...Income Tax continued)**

2. Enacts R.S. 47:293(6)(f) to extend the state income tax exemption for the first \$30,000 of income received by military personnel for active duty service outside of the state through taxable periods ending before January 1, 2008.
3. Enacts R.S. 47:293(6)(a)(xi) and (7) to provide for Louisiana income tax deductions that would otherwise be disallowed by Internal Revenue Code §280C.

Under IRC §280C, if an employer elects to claim certain federal tax credits, the employer's federal deduction for wage and salary expense must be reduced by the same

dollar amount of the credits claimed. Those credits include:

- a. The Work Opportunity Credit;
- b. The Indian Employment Credit;
- c. The Employee Retention Credit;
- d. The Empowerment Zone Credit;
- e. The Post-2001 Renewal Community Employment Credit; and
- f. The Hurricane Katrina housing credit for employers providing housing to employees.

Act 25 allows employers to deduct the expenses that are disallowed under IRC §280C for wage and salary expense in determining Louisiana taxable income.

Act 31 (HB 46) provides, relative to the income and corporation franchise tax credits allowed under R.S. 47:6006(A), 6006.1(A), and 6014(A) for ad valorem taxes paid, to allow taxpayers to consider ad valorem taxes paid after December 31, 2005, but before April 16, 2006, as being paid on December 31, 2005. This provision is effective for all taxable periods beginning after December 31, 2004.

### **Sales Tax**

Act 34 (HB 60) clarifies that the sales tax exemption for ships' supplies purchased for ships or vessels operating exclusively in foreign or interstate coastwise commerce provided under R.S. 47:305.1 is also applicable to barges and drilling ships that are operating exclusively in foreign or interstate commerce. This clarification was made because of the decision in *Mallard Bay Drilling, Inc. v. Kennedy*, 914 So. 2d 533. Effective February 23, 2006.

### **Severance Tax**

Act 26 (HB 22) amends R.S. 47:635(A)(3) and 640(B), relative to the severance tax on oil and gas; to provide that the one-time severance tax payment required by R.S. 47:635(A)(3) or 640(B) due on or before November 25, 2005, may be credited to the taxpayer's future liabilities.

The proposal allows purchasers and severers that made the required one-time payment to take credit for the payment by applying 25 percent of the one-time payment amount to severance tax liabilities for each of the following periods:

1. The October 2006 return that is due December 25, 2006;
2. The April 2007 return that is due June 25, 2007;
3. The October 2007 return that is due December 25, 2007; and
4. The April 2008 return that is due June 25, 2008.

Legislative summaries affecting LDR can also be viewed on our website at:

[http://www.revenue.louisiana.gov/forms/publications/elss\(2005\).pdf](http://www.revenue.louisiana.gov/forms/publications/elss(2005).pdf)

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## Upcoming Scheduled Seminars

### Joint State/Parish Sales and Use Seminar Available for All Taxpayers on May 25th:

The Louisiana Department of Revenue and the Rapides Parish Sales and Use Tax Office will be holding their annual "Joint State/Parish Sales and Use Tax Seminar" on Thursday, May 25th, 2006 from 8:30 a.m. until 4:30 p.m. at the Best Western Hotel and Convention Center in Alexandria. Presenters at the seminar will be Donna Andries, CPA, CTA, Administrator of the Rapides Parish Sales and Use Tax office, and Joseph Vaughn, Regional Director with the Alexandria Regional office of the Louisiana Department of Revenue.

Topics covered at the seminar will include Louisiana and Rapides parish sales and use tax law and regulations, exemptions and exclusions, and new legislation. Several sales tax scenarios will be reviewed and how they should be handled from both the state and local sales tax perspective. The cost of this year's seminar is \$75, and lunch will be provided. Attendance will be limited to 250 attendees.

Certified Public Accountants will again earn 8.0 CPE credits. Attorneys attending will earn 6.67 CLE credits in taxation. Interested parties should call the Rapides Parish Sales and Use Tax office at 318-445-0296 ext. 3006 to register for the seminar by Friday, May 12, 2006. If overnight lodging is needed, call the Best Western of Alexandria at 318-445-5530 for reservations. Visit the following LDR link for additional instructions.

[http://www.revenue.louisiana.gov/forms/misc/50024\(3\\_06\).pdf](http://www.revenue.louisiana.gov/forms/misc/50024(3_06).pdf)

### Sales Tax Topics Workshop

The Baton Rouge Regional Office of the Louisiana Department of Revenue will be hosting Beginner's Workshops covering general basic sales tax topics.

**When:**

April 21, 2006

July 14, 2006

October 13, 2006

**Time:**

10:00 a.m.

**Where:**

1<sup>st</sup> Floor Auditorium

8549 United Plaza Blvd.

Baton Rouge, LA

For more information, contact  
Kent LaPlace at (225) 922-2300

## Recent Revenue Information Bulletins

### Revenue Information Bulletin 06-007 – 2006 Taxable Value for Refining Gas.

The taxable value for refinery gas for sales and use tax purposes for calendar year 2006 has been set at \$1.048 per thousand cubic feet (MCF). This value was set in accordance with R.S. 47:301(3)(f) and (13)(d) and is based on the \$58.48 posted price for a barrel of West Texas Intermediate Crude Oil on December 1, 2005. This price is the maximum value that can be set for refinery gas by state and local authorities.

For questions concerning the cost price for refinery gas for the state purposes, call the Taxpayer Services Division at (225) 219-7318. Questions about the valuation adopted by the local authorities should be directed to the appropriate local authority.

The entire RIB text can be viewed on the LDR website by visiting:

<http://www.rev.state.la.us/forms/lawspolicies/RIB06007.pdf>

### Revenue Information Bulletin No. 06-019 – Natural Gas Severance Tax Rate Effective July 1, 2006.

The natural gas severance tax rate effective July 1, 2006, through June 30, 2007, has been set at 37.3 cents per thousand cubic feet (MCF) measured at a base pressure of 15.025 pounds per square inch absolute and at the temperature base of 60 degrees Fahrenheit.

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This tax rate is set each year by multiplying the natural gas severance tax base rate of 7 cents per MCF by the "gas base rate adjustment" determined by the Secretary of the Department of Natural Resources in accordance with R.S. 47:633(9)(d)(i). The "gas base rate adjustment" is a fraction, of which the numerator is the average of 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 previous 12-month period ending on March 31, and the denominator is the average of the monthly average spot market prices of gas fuels delivered into the pipelines in Louisiana as reported by the Natural Gas Clearing House for the 12-month period ending March 31, 1990 (1.7446 \$/MMBTU).

Based on this computation, the Secretary of the Department of Natural Resources has determined the natural gas severance "gas base rate adjustment" for April 1, 2005, through March 31, 2006, to be 532.72 percent. Applying this gas base rate adjustment to the base tax rate of 7 cents per MCF produces a tax rate of 37.3 cents per MCF effective July 1, 2006, through June 30, 2007. The reduced natural gas severance tax rates provided for in R.S. 47:633(9)(b) and (c) remain the same.

Revised reporting forms will be distributed as soon as they are available. Questions concerning the natural gas severance tax rate should be directed to the Taxpayer Services Division, Severance Tax Section at 225-219-7656, Option 3.

The entire RIB text can be viewed on the LDR website by visiting:

<http://www.revenue.louisiana.gov/forms/lawspolicies/RIB06019.pdf>

#### **Revenue Information Bulletin No. 06-014-A – Interest Waiver and Filing Extensions for Taxpayers Following Disasters**

The Internal Revenue Service has postponed the filing and payment deadlines for taxpayers most severely impacted by Hurricane Katrina for returns or payments with a due date or extended due date on or after August 29, 2005, and on or before August 28, 2006, to August 28, 2006.

The Louisiana Department of Revenue is providing similar relief extended to taxpayers severely impacted by Hurricanes Katrina and Rita. These extensions automatically apply to taxpayers in Calcasieu, Cameron, Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. Tammany, and Vermilion parishes. The taxpayer is not required to take any action in order for the extensions to apply. As long as the taxpayer files and pays on or before the due date as extended, no interest or penalty will be due.

These extensions are available to taxpayers in Acadia, Ascension, Assumption, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson Davis, Lafayette, Lafourche, Livingston, Pointe Coupee, St. Helena, St. James, St. John, St. Mary, St. Martin, Tangipahoa, Terrebonne, Washington, West Baton Rouge, and West Feliciana parishes who suffered severe hurricane damage. In order to take advantage of the extensions, the taxpayer must print in black ink "Hurricane Katrina" or "Hurricane Rita", whichever applies

to them, on the top of the Louisiana state return. If the taxpayer files and pays on or before the due date as extended, no interest or penalty will be due.

Questions can be addressed to the Taxpayer Services Division at (225) 219-0067.

The entire RIB text can be viewed on the LDR website by visiting:

<http://www.revenue.louisiana.gov/forms/lawspolicies/RIB06014A.pdf>

#### **Revenue Information Bulletin No. 06-012 – Administrative Signatures Required to Execute Binding Agreements:**

Offers in compromise, installment or settlement agreements, agreements to suspend prescription, collateral agreements, or any other written agreement made under and in accordance with the laws or regulations of this state are considered to be contracts between the taxpayer and the Department. The agreements are governed by general principles of contract law. In order for the agreement to be binding, it must be signed by persons authorized to bind the Department and the taxpayer.

For further information, please contact Taxpayer Services at (225) 219-2200.

The entire RIB text can be viewed on the LDR website by visiting:

<http://www.rev.state.la.us/forms/lawspolicies/RIB06012.pdf>

**Revenue Information Bulletin No. 06-005 – Administrative  
2006 Judicial Interest Rate To Be Paid On Refunds:**

The judicial interest rate, which is the rate the Department uses to pay interest on refunds and credits, has been set by the Office of Financial Institutions at eight percent effective January 1, 2006, through December 31, 2006.

Revised Statute 47:1624(B) provides that the Department will pay interest on refunds and credits at the judicial interest rate established by the Commissioner of the Office of Financial Institutions in accordance with La. R.S. 13:4202. The annual judicial interest rates for years through 2006 are available at the Office of Financial Institution's web site at <http://www.ofi.state.la.us/>

For further information concerning this matter, contact the Taxpayer Services Division at (225) 219-7318.

The entire RIB text can be viewed on the LDR website by visiting:  
<http://www.revenue.louisiana.gov/forms/lawspolicies/RIB06005.pdf>

## **Motor Fuel Tax Collection Moves to "the Rack"**

Act 252, enacted during the 2005 Regular Session of the Louisiana Legislature, moves the point of collection for tax on motor fuels to the terminal rack. Excise tax on gasoline is currently with the first handler and this method of collection comes close to what will happen for other fuels when the Act takes effect July 1, 2006. At that time, all motor fuels, including gasoline and clear diesel fuels, as newly defined, will be subject to the tax when the product leaves the terminal via the terminal rack.

Under the new law, the classifications of Gasoline Dealers (refiners and importers), Gasoline Jobbers (wholesale distributors), and Special Fuel Suppliers (refiners, importers, distributors) will no longer apply. Instead, the categories for licenses will be Terminal Operator, Supplier or Permissive Supplier (position holder at terminal), Distributor, Importer, Blender, Exporter, Motor Fuel Transporter, Aviation Fuel Dealer, and Interstate Motor Fuel Users. New registration forms and additional information will be mailed to current registrants who will need to complete and submit the forms so that the entities may be properly identified and their reporting responsibilities established. In addition to the classification changes, the bonding requirements also changed. While the Act makes provisions for definitions, bond requirements, and other administrative matters, it did not increase the tax rate on gasoline or diesel fuels and does not affect the price at the pump. Existing tax exemptions for aircraft fuel, use by farmers, fisherman, and off-road use of diesel are not affected by this Act.

Currently, at least 19 other states in the Federal Government have similar statutes for the collection of taxes on motor fuels "at the rack".

## **LDR Statewide Enforcement Arm Continues to Protect Louisiana Taxpayers from False Records and Evasion**

Ninety-Five percent of all tax revenue comes from voluntary compliance with state tax laws. So, it is only fair to expect that all individuals benefiting from our state share in supporting its financial welfare simply by reporting taxes properly. In addition to serving taxpayers in a customer service role, LDR is consistently pursuing individuals and businesses that disregard their obligation to support fellow Louisianians by not reporting revenues or evading the obligations shouldered and shared by fellow state taxpayers.

On March 8th, Cassandra Hayes was convicted on two felony and five misdemeanor charges in Oberlin, Louisiana through the 33rd Judicial District Court. These convictions were the result of a trial and not through plea agreement. Mike Blalock, Revenue Agent for LDR's Alexandria Offices testified on behalf of the Department and all complying Louisiana taxpayers. The result was a conviction of Ms. Hayes on the following charges:

*(Continued on page 6)*

**(...LDR Statewide Enforcement *continued*)**

Count 37, Filing false public record, a felony.  
Count 38, Filing false public record, a felony.  
Count 31, Tax evasion, less than \$1,000, a misdemeanor.  
Count 32, Tax evasion, less than \$1,000, a misdemeanor.  
Count 33, Tax evasion, less than \$1,000, a misdemeanor.  
Count 34, Tax evasion, less than \$1,000, a misdemeanor.  
Count 35, Tax evasion, less than \$1,000, a misdemeanor.  
Sentencing of Ms. Hayes is scheduled for 3/21/06.

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

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## Motor Vehicles Using LPG or CNG Subject to Fuel Tax; Must Have Decal

An often overlooked fact is that liquefied petroleum gas (LPG) and compressed natural gas (CNG), when used as a fuel source for vehicles that operate upon the highways of this state, are subject to the fuel tax, as are conventional fuels. However, unlike conventional fuels, the fuel tax on the use of LPG and CNG is paid on an annual basis, and a Special Fuels Decal, displayed on the vehicle evidences the payment of the tax. In addition, vehicles that use LPG or CNG as a fuel may not pass vehicle inspections if a current Special Fuels Tax Decal is not in evidence.

According to Revised Statutes 47:802.3 and 818.103, the tax is paid at either an annual flat rate of \$150, or a variable rate, whichever is applicable. Any person who operates, or who wishes to operate, a motor vehicle that uses, or is capable of using, LPG or CNG as a motor fuel must make an application to the secretary of the Louisiana Department of Revenue for a permit to operate the motor vehicle on the highways of this state. The application should be made at the time the vehicle is acquired, or when equipment is installed or altered on a vehicle already owned. Special rules apply to school buses used to transport Louisiana students.

The decal requirement does not apply to nonresident private carriers of passengers temporarily located in or operated on highways of this state for a period of not more than 30 days. The requirement also does not apply to motor vehicles that are owned and operated by interstate users who have provided a bond to the Department in compliance with R.S. 47:807(C) or 818.40.

Persons who install or alter LPG or CNG carburetion equipment on motor vehicles must file a written report with the Department of Revenue no later than 15 days after the installation or alteration of equipment.

For additional information, contact Taxpayer Services Division at (225) 219-7656, Option 2.

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