

# Tax Topics

www.rev.state.la.us

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"The mission of the Louisiana Department of Revenue is to serve the citizens of Louisiana by fair administration of the state's tax laws to generate the highest degree of public confidence."

Cynthia Bridges

## Legislative Summary

**Administrative**  
**Act 142** of the First Extraordinary Session (SB 56) amends and reenacts R.S. 47:1562(A) and (B), 1565(A), and 1566(B) to provide the Department of Revenue with additional address sources for mailing delinquent tax notices. The Act is effective April 19, 2000.

### Income Tax

**Act 21** of the Second Extraordinary Session (HB 25) enacts R.S. 47:201.1, relative to individual income tax, to provide that beginning January 1, 2001, certain noncorporate entities must file composite returns and make composite payment of tax on behalf of its nonresident partners or members who do not agree to file a nonresident individual income tax return. The agreement between the partner and the department is a written binding agreement. The term partnership includes general partnerships, partnerships in commendam, registered limited partnerships, and limited liability companies taxed as partnerships for state income tax purposes. The Act is effective for taxable years beginning after December 31, 2000.

**Act 34** of the Regular Session (HB 180) amends and reenacts R.S.47:44.1 and

enacts R.S.47:201.1 and 293 (6)(e), relative to providing an individual income tax exemption for certain disability income and for certain income earned by military personnel, beginning January 1, 2001. Six thousand dollars of annual disability income received by an individual, as provided in R.S. 23:1221(2), is exempt from state income tax. An individual claiming an exemption for the blind, loss of one or more limbs, mental retardation, or for deafness is not eligible for this exemption. This Act also requires that for tax periods beginning after December 31, 2002, and ending before January 1, 2005, compensation that is less than \$30,000 and paid to a member of the United States armed forces for services performed outside the state is exempt from tax. Such member must be on active duty and the duty must be continuous and uninterrupted for 120 days or more. The Act also requires composite returns and composite payments by some noncorporate entities. The Act is effective January 1, 2001.

**Act 38** of the Regular Session (HB 299) amends and reenacts R.S. 47:293(2) and 297(D)(3), relative to individual income tax, to limit the deductibility of excess  
*(continued on Page 2)*

## Major tax changes contingent on voter approval

**X** Major changes will occur to the individual income tax and sales tax exemptions if voters approve two constitutional amendments on November 7, 2000. Act 48 of the Regular Session (HB 73) proposes an amendment to Article VII, Section 4(A) of the Constitution of Louisiana, which would place a ceiling on the state individual and joint income tax schedule of rates and brackets as provided under Act 37 of the Regular Session and eliminates the constitutional requirement for a state income tax deduction for federal income tax paid. Act 49 of the Regular Session

*(continued on Page 4)*

This issue of the *Louisiana Tax Topics* contains summaries and articles on selected major tax laws amended or enacted during the 2000 Regular and Extraordinary sessions of the Louisiana Legislature. The summary information presented is only intended to provide a general description of the law's major provisions and should not be construed to represent a complete analysis or specific interpretation of the law.

A complete listing of tax legislation enacted in 2000 may be obtained from the Department's web page on the Internet at [www.rev.state.la.us](http://www.rev.state.la.us), or by contacting the Research and Technical Services Division at the following address: P.O. Box 15409, Baton Rouge, LA 70895, FAX (225) 925-3855.

Copies of particular acts may be obtained from the Office of the Secretary of State at (225) 342-2085.

## Sales tax exemptions suspended

**=** Effective July 1, 2000, Act 33 of the 2000 Regular Session of the Louisiana Legislature enacted Revised Statute 47:321(F) that suspends through June 30, 2002, all sales tax exemptions from the 4 percent state sales tax, except for those specifically listed in the Act. Act 18 of the First Extraordinary Session of 2000 had continued the suspension of all exemptions from 3 percent of the state sales tax through June 30, 2002.

For most consumers, the transactions affected are purchases of water utility  
*(continued on Page 4)*

# Legislative Summary (continued)

federal itemized deductions to 50 percent and to repeal the tax education credit. These changes are effective for taxable years beginning after December 31, 1999, and ending before January 1, 2002.

**Act 40** of the Regular Session (HB 304) enacts R.S. 47:300.6(B)(2)(c), relative to the income tax on estates and trusts, to provide an exemption amount that when combined with the federal exemption totals \$2,500. This Act is effective for taxable periods beginning after December 31, 2000.

**Act 45** of the Regular Session (SB 81) amends and reenacts R.S. 17:3095(A)(1) and 3096(E)(3) and enacts R.S. 17:3098(E), R.S.47:120.62 and 293(6)(a)(vi), relative to the Student Tuition Assistance and Revenue Trust Program. The Act provides that for taxable years beginning on and after January 1, 2001, amounts an owner deposits into an education savings account shall be exempt from inclusion in 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 expenses as defined in R.S. 17:3092(10) shall be included in taxable income. This Act is effective on July 1, 2000.

**Act 46** of the Regular Session (SB 85) amends and reenacts R.S. 51:2452(A), 2453(1)(b)(i), 2452, 2461(A) and (B) and enacts R.S. 51:1787(A)(2)(c) and 2455(E)(4) relative to requirements for certain incentive tax credits under the Louisiana Quality Jobs Program. The State Board of Commerce and Industry, with approval of the Governor, may enter into a contract for a tax credit with companies in the motor vehicle parts manufacturing industry, as defined in the 3363 NAICS Code Title. The tax credit is for \$5,000 for each new job created in the state and is applied against the corporation income tax or the corporation franchise tax. Any unused credit may be carried forward for ten years or until the entire credit is used, whichever occurs first. The credit is effective July 1, 2000, and becomes null and void on June 30, 2002.

## Sales Tax

**Act 7** of the Second Extraordinary Session (HB 31) amends and reenacts Section 6 of Act 33 of the Regular Session (HB 140) to provide that the suspension of certain exemptions to one percent of the state sales and use tax shall become ineffective on June 30, 2001, if and when the amendment to the Constitution of Louisiana contained in Act 48 is approved by voters on November 7, 2000.

**Act 18** of the First Extraordinary Session (See article on page one.)

**Act 18** of the Regular Session (HB 193) amends and reenacts R.S. 47:551(A) to extend the tax on the lease or rental of automobiles for periods of 29 calendar days or less through June 30, 2002. The Act is effective July 1, 2000.

**Act 27** of the Regular Session (HB 22) amends and reenacts R.S. 47:305.50(A)(1)(a)(i) and (ii) to extend the exemption for trucks of at least 26,000 pounds gross weight, trailers, and contract carrier buses, used at least 80 percent of the time in interstate commerce, through June 30, 2002. Act 27 also extends the exemption for rail rolling stock manufactured in this state for use in interstate commerce. The Act is effective June 30, 2000.

**Act 28** of the Regular Session (HB 23) amends Act 29 of the 1996 Regular Legislative Session to extend the boiler fuel exemption under R.S. 47:305(D)(1)(h) through June 30, 2002. However, this exemption is suspended through June 30, 2002 by Act 18 of the First Extraordinary Session of 2000 and Act 33 of the Regular Session of 2000. This exemption will apply only to local sales and use taxes

until July 1, 2002, when the provisions of Act 18 and Act 33 expire. Act 28 also amends Act 12 of the 1996 Regular Legislative Session to extend the exemption for sales and use tax on vehicles purchased for lease under R.S. 47:301(10)(a)(i) and (ii). This exemption is extended through June 30, 2002. This Act is effective June 30, 2000.

**Act 30** of the Regular Session (HB 44) enacts R.S. 47:301(16)(f) to exclude "used" manufactured homes and 54 percent of the sales price of "new" manufactured homes from the definition of "tangible personal property" for sales tax purposes. A manufactured home means a structure defined in Section 5402 of Title 42 of the United States Code. This act is effective when a judgment in the case of *Shirley M. Avants, et al v. John Neely Kennedy, Secretary*, No. 434575, Division D, 19th JDC, Parish of East Baton Rouge, State of Louisiana, becomes final and nonappealable, or when a written compromise settlement is finalized.


**Act 33** of the Regular Session (see article on page one.)

**Act 44** of the Regular Session (SB 8) amends Section 2 of Act 22 of the 1998 Regular Legislative Session to exclude food items donated to food banks prior to July 1, 1998, from sales and use tax. Act 22 of 1998 originally exempted donations made on or after July 1, 1998. This Act is effective June 28, 2000.

**Act 47** of the Regular Session (SB 86) enacts R. S. 47:301(10)(s), (13)(f), (14)(j), and (18)(g) to exclude any charges for funeral directing services from sales and


(continued on Page 3)

## Two plead guilty

 Two Baton Rouge men have pled guilty to filing false public records and conspiracy to commit tax evasion. John Pecout, 1326 Woodburg Drive, Baton Rouge, and James P. Everett, Jr., 273 Shady Oaks Court, Baton Rouge, pled guilty to the charges following indictments handed down after a joint investigation by the Department's Special Investigations Division and the East Baton Rouge Parish District Attorney's Office.

Pecout, a former employee of the Department of Agriculture, and Everett were partners in a computer firm, Network Driven Communication (dba Netdrive). The financial records of the Netdrive partnership were falsified to allow the partners to understate their income and file false income tax returns. Other charges that stemmed from the activities of Netdrive included public bribery, malfeasance in office, and conspiracy to commit prohibited splitting of profits.

## Free seminars on federal/state electronic tax filing

 During November, Fed/State Electronic Filing seminars are being held throughout the state to provide tax preparers and transmitters information on both federal and state electronic filing programs and how to participate. Both federal and state representatives will be available to answer questions.

The seminars are free, but require pre-registration. Registration forms are available at the Department's website, [www.rev.state.la.us](http://www.rev.state.la.us). Questions about the seminars may be directed to the Louisiana Department of Revenue at (225) 925-7292 or to the Internal Revenue Service at (504) 558-3008.

### Lafayette

November 3, 2000  
8:00 a.m. - 11:30 a.m.  
University of Louisiana at Lafayette  
Rougeou Hall, Room 324

### Lake Charles

November 8, 2000  
8:00 a.m. - 11:30 a.m.  
McNeese State University  
Business Conference Center

### New Orleans

November 10, 2000  
8:00 a.m. - 11:30 a.m.  
University of New Orleans  
University Center, Bourbon Room 211B

### Monroe

November 14, 2000  
8:00 a.m. - 11:30 a.m.  
University of Louisiana at Monroe  
Nursing Auditorium

### Natchitoches

November 15, 2000  
8:00 a.m. - 11:30 a.m.  
Northwestern State University  
College of Business Building  
Russell Hall, Room 107

### Baton Rouge

November 17, 2000  
9:00 a.m. - 12:30 p.m.  
Greenwell Springs Library  
11300 Greenwell Springs Road

## Legislative Summary (continued)

use tax. "Funeral directing services" include management of funerals, supervision of hearses or funeral cars, cleaning or dressing of dead human bodies for burial, and the performance or supervision of any service or act connected with the management of funerals. The Act is effective July 1, 2000.

### Tobacco Tax


**Act 32** of the Regular Session (HB 117) amends and reenacts R.S. 47:841, enacts R.S. 47:841(B)(3) and 842(15) and repeals R.S. 47:47:841(F) all relative to tobacco tax. R.S. 47:841 adds smokeless tobacco to the introductory paragraph and adds subparagraph (B)(3) to levy an additional tax of four-twentieths of one cent per cigarette. R.S. 47:841(E) levies a tax of 20 percent of the invoice price on "smokeless tobacco" as defined at R.S. 47:842(15). Section 3 of Act 32 provides that the cigarette tax increase shall apply to all tobacco products purchased by retail and wholesale dealers on and after August 1, 2000, and shall not apply to stamped products and unused stamps in the possession of wholesale dealers prior to August 1, 2000. The cigarette tax increase is for the period beginning July 1, 2000, and ending June 30, 2002. The tax on smokeless tobacco is effective July 1, 2000.

### Tax Changes for Interstate Telecommunication Services

**Act 22** of the Regular Session (HB 224) amends and reenacts R.S. 47:301(14)(i)(ii)(cc) and (v), R.S. 47:302(C) and 331(C), enacts R.S. 47:301(14)(i)(ii)(dd), (iv)(ff), and (vi), 301(14)(i)(iii)(cc) and (gg) and repeals R.S. 47:301(14)(i)(iii)(cc) and 301(14)(i)(v), to include "interstate telecommunications services" within the definition of taxable telecommunication services and to impose a sales tax on "interstate telecommunications services." Under Act 22, the tax will be 3 percent on interstate telecommunications services billed on or after April 1, 2001, 2 percent on interstate telecommunication services billed on or after April 1, 2004, and 1 percent on interstate telecommunication services billed on or after April 1, 2016. This Act excludes "call centers" from the tax prior to July 1, 2003, and limits their tax liability to \$25,000 per year after June 30, 2003. Direct pay numbers will be granted to call centers after June 30, 2003.


Act 22 also enacts R.S. 47:6014 to provide a credit against Louisiana corporation or individual income taxes and Louisiana corporation franchise tax for, and in an amount equal to, 40 percent of the aggregate ad valorem taxes paid to political subdivisions in Louisiana after December 31, 2000, by certain telephone companies.

## Natural gas severance tax rate change

 Under authority of Revised Statute 47:633(9)(d)(i), the Department of Natural Resources has determined the "gas base rate adjustment" for the 12-month period ending March 31, 2000, to be 1.3855. Accordingly, the Department of Revenue has determined that effective July 1, 2000, the severance tax rate on natural gas and related products described in R. S. 47:633(9)(a) is **9.7 cents per thousand cubic feet** measured at a base pressure of 15.025 pounds per square inch absolute and at the temperature base of 60 degrees Fahrenheit. The reduced rates provided for in R. S. 47:633(9)(b) and (c) remain the same.

Questions about this rate change should be directed to the Severance Tax Division at (225) 925-7500.

## Former officer charged

 A joint investigation by the Department's Special Investigations Division and the Economic Crime Unit of the Orleans Parish District Attorney's Office has resulted in the arrest of Lawrence Mason, 50, 4743 Sandalwood, New Orleans, on charges of tax evasion and the filing of a false public record.

Mason, a former Orleans Parish Municipal Court Probation Officer, was arrested June 1, 2000, for allegedly misappropriating more than \$170,000 in grant money used to track drug-related domestic violence from 1995 through 1999. Mason was project director for the grant money. Mason was also booked with felony theft, failure to pay state taxes, and failure to file state income tax returns.

## Major tax changes (continued)

(HB 98) proposes an amendment to the Constitution of Louisiana by adding Article VII, Section 2.2 to exempt food for home consumption, natural gas, electricity, and water from sales tax.

The following provisions become effective only if voters approve the constitutional amendments proposed by Act 48 (HB 73) and Act 49 (HB 98):

Act 37 of the Regular Session (HB 295) revises the individual income tax schedule of rates and brackets; repeals the deduction of federal income tax and excess itemized deductions; and disallows various other deductions and tax credits for the individual income tax. Act 37 also repeals, effective January 1, 2001, the suspension of certain sales tax exemptions that was enacted under Act 18 of the First Extraordinary Session. As shown below, individual income tax rates and schedules would be revised under Act 37 for taxable years beginning on or after January 1, 2001, if both constitutional amendments are approved by voters:

Rates	2%	3%	4%	5%
Single Filer	Up to \$2,500	\$2,500 to \$5,000	\$5,000 to \$25,000	Over \$25,000
Joint Filer	Up to \$5,000	\$5,000 to \$10,000	\$10,000 to \$50,000	Over \$50,000

Act 7 of the Second Extraordinary Session (HB 31) provides that the suspension of the fourth penny becomes ineffective on July 1, 2001.

All of the above changes are only effective if both constitutional amendments proposed by Act 48 and Act 49 of the Regular Session are approved by the voters in a statewide election to be held on November 7, 2000.

## Exemptions suspended (continued)

services, electricity, natural gas, food for home consumption, and newspapers. The rate of sales tax on many other transactions, mostly commercial, also increased to 4 percent, with the exception of telecommunications services, which will remain at the 3 percent rate. Other transactions that have not been affected by prior suspensions (for example, prescription drugs and medical-related property) are not affected by Act 33.

Act 33 also amended Act 15 of the 1996 Regular Legislative Session to extend through June 30, 2003, the sales tax exclusion on educational materials purchased by approved parochial and private elementary schools. This exclusion **does not apply** to transactions occurring between July 1, 2000, and June 30, 2001. The act also excludes from sales and use tax all pharmaceuticals administered to livestock used for agricultural purposes. However, the pharmaceuticals must be registered with the Louisiana Department of Agriculture and Forestry.

Questions about the rate change may be addressed to any of the Department's offices listed here, or through the Department's website at [www.rev.state.la.us](http://www.rev.state.la.us).

### Alexandria

900 Murray Street, Room B-100  
(318) 487-5333

### Baton Rouge (Main Office)

330 N. Ardenwood Drive  
(225) 925-7356

### Baton Rouge Regional Office

8490 Picardy Avenue, Bldg. 600  
(225) 763-5700

### Lafayette

825 Kaliste Saloom Road, Brandywine III  
Suite 150  
(337) 262-5455

### Lake Charles

One Lakeshore Drive, Suite 1550  
(337) 491-2504

### Monroe

122 St. John Street, Room 105  
(318) 362-3151

### New Orleans

1555 Poydras Street, Suite 900  
(504) 568-5233

### Shreveport

1525 Fairfield Avenue  
(318) 676-7505

### Thibodaux

1418 Tiger Drive  
(504) 447-0976

## Unclaimed Property Program moved to Treasury

Effective July 1, 2000, Act 135 of the 2000 Regular Session of the Louisiana Legislature moved the Unclaimed Property Program from the Department of Revenue to the State Treasurer's Office.

The program is responsible for finding owners of unclaimed, intangible personal property that is turned over to the state. This includes payroll checks, checking and savings accounts, royalties, utility deposits, interest, dividends, stock certificates, and life insurance.

The program's mailing address, P.O. Box 91010, Baton Rouge, LA 70821-9010, and its toll-free telephone number, 1-888-925-41237, remain the same under the State Treasurer's office.

A searchable database of unclaimed property owner names will soon be available on the State Treasurer's new Internet website now under construction. Until construction of that website is completed, the Department of Revenue's unclaimed property database at [www.rev.state.la.us](http://www.rev.state.la.us) will remain in operation. Revenue's website database will cease operation when the Treasurer's becomes available and a link will be added to Revenue's website so that visitors can connect directly to the State Treasurer's website.

**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 Research and Technical Services Division at the address below, or by calling (225) 925-6047.

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