2016 Special Session Wrap-Up
How We Got Here and What’s Next

Jason DeCuir
Public Affairs Director
Ryan
How We Got Here:
Total Mineral Revenues FY15

Forecast
- Severance Tax
- Royalties

Actuals
- Severance Tax
- Royalties

Billions of Dollars
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14

Revenue Estimating Conference met on January 20, 2015 and recognized a $103.5 million deficit for FYE 2015.
On February 26, 2015 the Legislature made budget cuts to balance the $103.5 million deficit.
Governor Jindal proposed converting refundable tax credits to non-refundable tax credits to balance the budget for FY 2016.

Converting the following tax credits to non-refundable was expected to generate $525,926,000:

- Inventory Tax Credit
- Wind & Solar Energy System Credit
- Research & Development Tax Credit
- Ad Valorem Tax Credit for Offshore Vessels
- Musical & Theatrical Productions Tax Credit
- Credit for Ad Valorem Tax Paid by Certain Telephone Companies
- Ad Valorem Tax on Natural Gas
- Conversion of Vehicles to Alternative Fuel
- Sugarcane Transport Credit
- Milk Producers Tax Credit
- Angel Investor Tax Credit & Jobs Program
- Rehabilitation of an Owner Occupied Residential or Mixed-use Property
## Tax Increases from the 2015 Legislative Session

<table>
<thead>
<tr>
<th>Bill No.</th>
<th>Author</th>
<th>Description</th>
<th>FY16 Fiscal Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCR8</td>
<td>Montoucet</td>
<td>Suspends exemptions on business utilities for 1% of state sales and use tax from July 1, 2015, to 60 days after final adjournment of the 2016 regular legislative session.</td>
<td>$107,200,000</td>
</tr>
<tr>
<td>HB624</td>
<td>Jackson</td>
<td>Reduces certain corporate income tax exclusions and deductions by 28% from July 1, 2015, to June 30, 2018 (does not affect the S-Corporations exclusion).</td>
<td>$122,000,000</td>
</tr>
<tr>
<td>HB218</td>
<td>Broadwater</td>
<td>Eliminates the three-year carry-back option for net operating loss deductions for corporate income tax and increases the carry-over period from 15 years to 20 years.</td>
<td>$29,000,000</td>
</tr>
<tr>
<td>HB629</td>
<td>Jackson</td>
<td>Reduces certain income and corporate franchise tax credits and incentives by 28% from July 1, 2015, to June 30, 2018 (does not reduce inventory tax credit).</td>
<td>$31,500,000</td>
</tr>
<tr>
<td>HB402</td>
<td>Stokes</td>
<td>Limits availability of tax credit for taxes paid in other states from July 1, 2015, to June 30, 2018.</td>
<td>$34,000,000</td>
</tr>
<tr>
<td>HB805</td>
<td>Adams</td>
<td>Provides for carry forward rather than refunds of 25% of tax credits for inventory and natural gas storage paid as ad valorem taxes to local governments (does not apply to companies with credits of $10,000 annually or less). Removes refundability of various R&amp;D tax credits.</td>
<td>$129,000,000</td>
</tr>
<tr>
<td>HB635</td>
<td>Jackson</td>
<td>Reduces certain tax rebates by 20% from July 1, 2015, to June 30, 2018; permanently excludes retail and food service from the Enterprise Zone program, superseding the provisions of HB466 by Rep. Barras.</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>HB549</td>
<td>Thibaut</td>
<td>Limits amount of severance tax exemption for oil and gas produced by horizontally drilled wells.</td>
<td>$0</td>
</tr>
<tr>
<td>HB829</td>
<td>Robideaux</td>
<td>Caps certified motion picture investor tax credits from July 1, 2015, to June 30, 2018.</td>
<td>$77,000,000</td>
</tr>
<tr>
<td>HB779</td>
<td>Ponti</td>
<td>Reduces the maximum value of the solar energy systems tax credit and provides for changes regarding eligibility and requirements to claim the credit.</td>
<td>$19,000,000</td>
</tr>
<tr>
<td>HB119</td>
<td>Ritchie</td>
<td>Increases the tax on cigarettes.</td>
<td>$106,400,000</td>
</tr>
</tbody>
</table>

Total: $660,100,000
## Tax Increases from the 2015 Legislative Session

<table>
<thead>
<tr>
<th>Act</th>
<th>Description</th>
<th>FY16</th>
<th>Duration</th>
<th>Applicable</th>
<th>Recoupment</th>
</tr>
</thead>
<tbody>
<tr>
<td>125 / HB 629</td>
<td>Income &amp; Franchise Tax Credits Cuts 28%</td>
<td>$31.5</td>
<td>3 years</td>
<td>All returns From July 1</td>
<td>3 years</td>
</tr>
<tr>
<td>123 / HB 624</td>
<td>Corporate Income Tax Exclusions and Deductions Cuts 28%</td>
<td>$122.0</td>
<td>3 years</td>
<td>All returns From July 1</td>
<td>3 years</td>
</tr>
<tr>
<td>133 / HB 805</td>
<td>Five Year Carry-forward of 25% of Inventory Credit</td>
<td>$129.0</td>
<td>Permanent</td>
<td>All returns From July 1</td>
<td>None</td>
</tr>
<tr>
<td>HCR 8</td>
<td>Suspend Business Utilities Exemption to 1% of Sales Tax</td>
<td>$107.2</td>
<td>8/27/2016</td>
<td>Transactions From July 1</td>
<td>None</td>
</tr>
<tr>
<td>94 / HB 119</td>
<td>Increase Cigarette Tax by $0.50/pack plus vapor products</td>
<td>$106.4</td>
<td>Permanent</td>
<td>Transactions From July 1</td>
<td>None</td>
</tr>
<tr>
<td>109 / HB 402</td>
<td>Equalize Credit for Taxes Paid to Other States</td>
<td>$34.0</td>
<td>3 years</td>
<td>All returns From July 1</td>
<td>3 years</td>
</tr>
<tr>
<td>103 / HB 218</td>
<td>Eliminate Net Operating Loss Carry-Bakcs</td>
<td>$29.0</td>
<td>Permanent</td>
<td>All returns From July 1</td>
<td>None</td>
</tr>
<tr>
<td>131 / HB 779</td>
<td>Cap Solar Tax Credit Program</td>
<td>$19.0</td>
<td>Permanent</td>
<td>All Claims From Jan 1</td>
<td>None</td>
</tr>
<tr>
<td>126 / HB 635</td>
<td>Enterprise Zone Restrictions</td>
<td>$5.0</td>
<td>Permanent</td>
<td>All Claims From July 1</td>
<td>None</td>
</tr>
<tr>
<td>134 / HB 829</td>
<td>Modify/Cap Film Tax Credit Program</td>
<td>$77.0</td>
<td>3 years</td>
<td>All Claims From July 1</td>
<td>None</td>
</tr>
<tr>
<td>110 / HB 445</td>
<td>Certificates of Title Tax Increase</td>
<td>$59.5</td>
<td>Permanent</td>
<td>All Claims From July 1</td>
<td>None</td>
</tr>
<tr>
<td>147 / SB 271</td>
<td>Reduce Motor Fuels Tax Remittance Discounts</td>
<td>$6.0</td>
<td>Permanent</td>
<td>Transactions From July 1</td>
<td>None</td>
</tr>
<tr>
<td>109 / SB 93</td>
<td>Prohibits Education Credit If Tuition Deduction Taken</td>
<td>$2.3</td>
<td>Permanent</td>
<td>From Tax Year 2013</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Interaction Between Act 123 and Act 103</td>
<td>($8.0)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HCR 8</td>
<td>Total Additional Revenue Generated</td>
<td>$719.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>147 / SB 271</td>
<td>Business Utilities Sales Tax Dedicated To Tourism District</td>
<td>($4.2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>147 / SB 271</td>
<td>Motor Fuels Discounts Dedicated to TTF</td>
<td>($6.0)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>94 / HB 119</td>
<td>Tobacco Tax Dedicated To Medicaid Fund</td>
<td>($106.4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tobacco Tax Reduces Existing Dedications</td>
<td>$2.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>109 / HB 93</td>
<td>Higher Education Initiatives Fund Dedication</td>
<td>($350.0)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net Additional General Fund Revenue $255.5

plus $48.8 million in new fees = **$766.6M new money raised**
### November 16, 2015: REC Updates Forecast and Reduced Projected Revenues by $370M

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>August Forecast (milions)</th>
<th>November Forecast (milions)</th>
<th>Increase/ (Decrease) (milions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Income &amp; Franchise Tax</td>
<td>$789.5</td>
<td>$588.1</td>
<td>($201.4)</td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>$3,012.9</td>
<td>$3,054.8</td>
<td>$41.9</td>
</tr>
<tr>
<td>Sales &amp; Use Tax</td>
<td>$2,935.1</td>
<td>$2,872.2</td>
<td>($62.9)</td>
</tr>
<tr>
<td>Severance Tax</td>
<td>$519.8</td>
<td>$468.0</td>
<td>($51.8 )</td>
</tr>
<tr>
<td>Other LDR Tax Collections</td>
<td>$983.8</td>
<td>$1,002.0</td>
<td>$18.2</td>
</tr>
<tr>
<td>DNR Royalties, Rentals, etc.</td>
<td>$327.1</td>
<td>$239.2</td>
<td>($88.0)</td>
</tr>
<tr>
<td>All other Revenues (Gaming, DPS, etc.)</td>
<td>$2,697.5</td>
<td>$2,739.6</td>
<td>$42.1</td>
</tr>
<tr>
<td>Total Taxes, Licenses &amp; Fees</td>
<td>$11,266</td>
<td>$10,964</td>
<td>($302)</td>
</tr>
<tr>
<td>Dedications</td>
<td>($2,414)</td>
<td>($2,482)</td>
<td>($68)</td>
</tr>
<tr>
<td><strong>Net General Fund</strong></td>
<td><strong>$8,852</strong></td>
<td><strong>$8,482</strong></td>
<td><strong>($370 M)</strong></td>
</tr>
</tbody>
</table>
February 10, 2016: REC Updates Projections

- Projected a $850 million dollar deficit for the Fiscal Year ending June 30, 2016

- Projected a $2 billion dollar deficit for the Fiscal Year ending June 30, 2017
February 5, 2016: Governor Calls Special Legislative Session

- Proclamation No. 10JBE2016
- Introduced 36 items

**FY16**

- Rainy Day Fund
- BP settlement
- 10% one-time reduction to statutory dedications (across the board)
- Sales tax increase*
- Telecommunications tax increase*
- Tobacco tax increase*
- Internet sales tax collection*
- Repeal all of business utilities sales tax exemption*
- Suspend all of refundable inventory tax credit
- Suspend all of Net Operating Loss deduction*
- Reduce tax credits for insurance premiums*
- Reduce vendors comp payments*
- Suspend Net Operating Loss deductions

**FY17**

- Stelly reinstatement on income tax brackets and excess federal itemized deductions
- Constitutional Amendment to eliminate federal income tax deduction in exchange for lower rates*
- Extend franchise tax to LLCs*
- Remove sunsets on tax credit reductions enacted in 2015
- Enact add-back provisions for corporate income*
- Change calculation of corporate income tax
- Renew auto excise tax on rental cars*
- Increase alcohol taxes*
- Extend sales tax on hotels to online vendors*
- Possible flat tax for corporations*
## 2016 Special Legislative Session Tax Increases

<table>
<thead>
<tr>
<th>Act / HB</th>
<th>Description</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>Duration</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 / 27</td>
<td>Beer, Wine, Liquor Excise Tax Rate Increases</td>
<td>$4.7</td>
<td>$19.2</td>
<td>$19.3</td>
<td>Permanent</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>14 / 39</td>
<td>Auto Rental Excise Tax</td>
<td>$0.8</td>
<td>$5.0</td>
<td>$5.0</td>
<td>Permanent</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>12 / 19</td>
<td>Extend Corporate Franchise Tax To LLCs, etc.</td>
<td>$0.0</td>
<td>$10.3</td>
<td>$89.3</td>
<td>Permanent</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>26 / 62</td>
<td>New 1% Sales Tax Rate</td>
<td>$214.2</td>
<td>$880.6</td>
<td>$880.6</td>
<td>6/30/2018</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>25 / 61</td>
<td>Remove Exemptions From Sales Tax</td>
<td>$66.7</td>
<td>$272.3</td>
<td>$272.3</td>
<td>6/30/2018</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td></td>
<td>Renew Sales Tax On Interstate Telecomm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 / 72</td>
<td>Services</td>
<td>$0.9</td>
<td>$3.4</td>
<td>$3.4</td>
<td>Permanent</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>14 / 14</td>
<td>Tobacco Tax Rate Increase</td>
<td>$11.0</td>
<td>$46.0</td>
<td>$46.0</td>
<td>Permanent</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>10 / 87</td>
<td>Premium Tax Credit Reduction</td>
<td>$0.0</td>
<td>$8.3</td>
<td>$8.6</td>
<td>6/30/2018</td>
<td>FY17 &amp; FY18</td>
</tr>
<tr>
<td>Various</td>
<td>Reduce Vendor Compensation/Discounts</td>
<td>$4.3</td>
<td>$17.2</td>
<td>$17.2</td>
<td>Permanent</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>18 / 71</td>
<td>Enterprise Zone Restrictions</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$2.0</td>
<td>Permanent</td>
<td>April 1, 2016</td>
</tr>
<tr>
<td></td>
<td><strong>Total Additional Tax Revenue Generated</strong></td>
<td>$302.6</td>
<td>$1,262.3</td>
<td>$1,343.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various</td>
<td>Dedications</td>
<td>($2.0)</td>
<td>($3.2)</td>
<td>($3.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Net Additional General Fund Tax Revenue</strong></td>
<td>$300.7</td>
<td>$1,259.1</td>
<td>$1,340.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use of Budget Stabilization Fund</td>
<td>$128.5</td>
<td>$0.0</td>
<td>$0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP Settlement Initial Payment</td>
<td>$200.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Additional General Fund Revenue</strong></td>
<td>$629.1</td>
<td>$1,259.1</td>
<td>$1,340.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
March 16, 2016: REC Updates Projections

- After $302.3 million in tax increases, the REC projected a $70 million dollar deficit for the Fiscal Year ending June 30, 2016.

- Projected a $750 million dollar deficit for the Fiscal Year ending June 30, 2017.
HCR 11 creates the **Task Force on Structural Changes in Budget and Tax Policy** to continue the budget and tax reform evaluations begun in the 2016 First Extraordinary Session and urges and requests the Governor to support and implement initiatives for structural change introduced in upcoming sessions that will lead to savings through more efficient and effective state operations.
# HCR 11: Members Must Report Recommendations by September 1, 2016

<table>
<thead>
<tr>
<th>Member</th>
<th>Representing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissioner Jay Dardenne</td>
<td>Division of Administration</td>
</tr>
<tr>
<td>Sec. Kimberly Robinson</td>
<td>Department of Revenue</td>
</tr>
<tr>
<td>Tom Clark (Adams and Reese)</td>
<td>Governor</td>
</tr>
<tr>
<td>Dr. Jim Richardson (LSU)</td>
<td>Revenue Estimating Conference</td>
</tr>
<tr>
<td>Dr. James Alm (Tulane)</td>
<td>LSU/SU Ag Center</td>
</tr>
<tr>
<td>Dr. Steven Sheffrin (Tulane)</td>
<td>LSU/SU Ag Center</td>
</tr>
<tr>
<td>Jason DeCuir (Ryan, LLC)</td>
<td>LABI, C100, Blueprint</td>
</tr>
<tr>
<td>Sean Reilly (Lamar Advertising)</td>
<td>LABI, C100, Blueprint</td>
</tr>
<tr>
<td>Lake Charles Mayor Randy Roach</td>
<td>LSA, LAA, PJA</td>
</tr>
<tr>
<td>Louis Reine (AFL-CIO)</td>
<td>LSBA, LPB</td>
</tr>
<tr>
<td>Barry Erwin</td>
<td>CABL</td>
</tr>
<tr>
<td>Robert Travis Scott</td>
<td>PAR</td>
</tr>
<tr>
<td>Bill Potter (PWN)</td>
<td>LACPA</td>
</tr>
</tbody>
</table>
A National Perspective on the 2016 Special Session

Ferdinand Hogroian
Senior Tax & Legislative Counsel
Council On State Taxation (COST)
Where We Were: Louisiana’s Business Contribution to State and Local Finances

Louisiana’s business community paid approximately HALF (49.8%) of all Louisiana state and local taxes in FY 2014 (national average: 45%)

- Income taxes (corporate and flow-through individual) on Louisiana businesses account for 10% of the business total contribution (national average: 14%)
- Property taxes account for 31% of the Louisiana business total contribution (national average: 36%)
- Sales taxes (borne by business and not passed-on to customers) account for 31% of the Louisiana total business contribution (national average: 21%)

Source: COST, “Total State and Local Business Taxes”, October 2015
Some Guiding Principles of Good Tax Policy

- Equity and Fairness
- Certainty
- Convenience of Payment
- Economy in Collection
- Simplicity
- Neutrality
- Neutrality
- Economic Growth and Efficiency
- Transparency and Visibility
- Minimum “Tax Gap”
- Appropriate Government Revenues

Expanding the Sales Tax to Business Inputs: Not a Good Idea

Taxation of B2B transactions results in:

- Significant increased business tax burden
- Competitive disadvantage to out-of-state (and foreign) competitors
- Reduced in-state investment and employment
- Tax “pyramiding”
- Incentivizing big business to bring services in-house (hurts small business)
- Arbitrary and hidden price increases for consumers
- Increased administrative and compliance costs

Act 25 and Act 26:
Adding Complexity, Uncertainty to B2B Tax

Act 25 and Act 26 produce:

- **Uncertainty:**
  - LDR despite best efforts revises guidance right before effective date, promises leniency
  - Will the rates/exemptions change as a result of a second special session?
  - Will the June 30, 2018 sunset occur?

- **Complexity:** multiple rate tiers, varying taxable items

- **Inequity:** winners & losers, both business and consumer

- **Competitive disadvantage** (see COST study)

- **Bad headlines:** “Louisiana sales tax system now ranks worse than last place”... “New Tax Hikes... are ‘dangerous,’ apocalyptic”
Act 25 and Act 26: Comparing to Some Other States

Connecticut 1% tax on computer and data processing services

- 2015 legislation (H.B. 7061) would have increased the rate to 2% effective October 1, 2015, and to 3% effective July 1, 2016
- Immediately repealed: on same day H.B. 7061 was signed, S.B. 1502 also signed to keep the rate at 1%

North Carolina expanded tax on repair and maintenance

- H.B. 97, enacted September 18, 2015, expands sales tax to certain repair, maintenance, and installation services, eff. March 1, 2016
- Does not generally apply to services to exempt property (e.g., the state’s “mill machinery and equipment” exemption)
- STILL generates headlines: “New service sales taxes generate confusion for business owners and DOR” – The Courier-Tribune
Expanded Nexus,  
But the Opposite of Sales Tax Simplification

H.B. 30/Act 22 includes various sales tax nexus expansion provisions, including “click-through” nexus

- “Affiliate nexus” provisions assert a collection responsibility based on greater than 5% ownership – How does this satisfy Due Process?

How can Louisiana justify imposing its sales tax irrespective of **Quill** without substantially simplifying its state and **local** tax systems?

H.B. 43/Act 15, restricting vendor compensation the opposite of federal legislation that would mandate free software/implementation
Corporate Tax Changes:
Increased Burden, Uncertainty

- Repeals result of taxpayer victories in *UTELCOM* and *Polychim*, but not retroactive – applies to 2017 tax year (H.B. 19/Act 12)
- Changes credit ordering/application, retroactive to beginning of 2016 tax year (S.B. 15, Act 23); NOL ordering rule applies beginning in 2017 (H.B. 116/Act 24)
- “Clarifies” the NOL deduction is limited to the lesser of 72% of NOL carryovers or 72% of Louisiana net income, effective for all returns filed on or after July 1, 2015 (H.B. 20/Act 6)
- Enacts a related-party expense “addback”, with no definitions of “interest expense”, “intangible expense”, or “management fees” (only other states to add back management fees are Kentucky and Wisconsin) (H.B. 55/Act 16)
Issues Raised Include...

- Varying effective dates, including retroactive and contingent on return filing date
- Restrictions on credits after the fact; restricts market, upsets expectations of private parties
- Uneven impact, see e.g., credit/NOL ordering rules
- Extreme uncertainty, see e.g., no definition of “management fees”
- Extended sunset for credit reductions; what other sunsets will be extended? Made permanent?
- Legislative reversal of taxpayer victories in the courts
- Looming concern: funding of LDR and Board of Tax Appeals with assessments/judgments
2016 Special Session
Tax Recap

Christopher J. Dicharry
Partner
Kean Miller LLP
Corporate Income and Franchise Tax

Expansion of Franchise Tax (Act 12/HB 19)

- Non-corporate entities including LLCs that elect to be taxed as corporations for federal tax will be subject to the tax, except:
  - Entities eligible to be taxed as S-Corporations not subject to CFT
    - Does company have to make S election?
  - Overrules UTELCOM
  - Holding company deduction
  - First year tax liability for existing entities now subject to CFT

CIT Add Back (Act 16/HB 55)

Net Operating Loss (Act 6/HB 20)

- 28% of income will be taxed
Corporate Income and Franchise Tax: Proposed CIT Changes

Repeal CIT deduction for federal income taxes (Act 31/HB31)

Constitutional Amendment
- November 8, 2016 election
- Effective for tax years beginning on and after January 1, 2017

Repeal federal income tax deduction statute (Act 30/HB 95)
- Effective only if constitutional amendment above is adopted by the voters

Implement a flat rate of 6.5% for the CIT (Act 8/ HB 29)
- Effective only if constitutional amendment above is adopted by the voters
Corporate Income and Franchise Tax: Technical Corrections

Bank Dividends (Act 1/HB 7)
Net Operating Loss (Act 24/HB 116)
Tobacco Tax (Act 4/HB 14)
Tobacco Tax (Act 5/HB 18)
Alcoholic Beverage Tax (Act 7/ HB 28)
Alcoholic Beverage Tax (Act 13/HB 27)
Tax Credits and Incentives

Sunset repeal – 2015 limitations on rebates (Act 28/HB 22)
Sunset repeal – 2015 limitations on credits (Act 29/HB 24)
Application of refundable tax credits (Act 23/SB 15)
Changes to Enterprise Zone Program (Act 18/HB 71)
Change in Insurance Premium Tax Credit (Act 10/HB 87)
Vendors Compensation Reduction (Act 15/HB 43)

- Limited to .935%. Further limited as follows:
  - The payment of the dealer is timely paid and the return is timely filed with the secretary
  - The amount of any credit claimed for taxes already paid to a wholesaler has not been deducted in computing the amount of the compensation allowed the dealer
  - The total state compensation for a dealer who operates one or more business locations within this state does not exceed one thousand five hundred dollars ($1,500.00) per calendar month
  - The calculation of the deduction is based only on the taxes levied pursuant to R.S. 47:302, 321, 331, and R.S. 51:1286
  - No compensation is allowed for taxes accounted for and remitted pursuant to R.S. 47:321.1 or any other sales tax levied by this state
- See Revenue Information Bulletin No. 16-015, April 1, 2016, Sales and Use Tax
Sales Tax

Remote Sellers (Act 22/HB 30)
Telecommunications Tax (Act 9/HB 72)
Automobile Rental Tax (Act 14/HB 39)
Hotel Tax (Act 17/HB 59)
Sales Tax: Exclusion/Exemption Changes:
The Lists

Act 25/HB 61 & Act 26/HB 62

- La. R.S. 47:302 / 2%
- La. R.S. 46:321 / 1%
- La. R.S. 47: 331 / 1% (includes .03% levied by Tourism Promotion District)
- La. R.S. 47:321.1 / 1% (the new somewhat clean penny)
Sales Tax: Exclusion/Exemption Changes:
The Dates

- April 1, 2016 – June 30, 2016
- July 1, 2016 – June 30, 2018
- July 1, 2018 – March 31, 2019
Sales Tax: Exclusion/Exemption Changes: The Big Issues

- Sales for resale (47:301(10)(a)(i) - 0%/0%/0%)
- Sales for further processing (47:301(10)(c)(i)(aa) - 0%/0%/0%)
- Transactions in interstate commerce & manufacture for export (47:305(E) - 0%/0%/0%)
- Purchase for lease (47:301(10)(a)(iii) - 4%/2%/0%)
  - Automobiles purchased for lease (47:301(10)(a)(iii) - 0%/0%/0%)
- Manufacturing machinery & equipment (47:301(3)(i,), 47:301(13)(k,) 301(28)(a) - 2%/1%/0%)
Sales Tax: Exclusion/Exemption Changes: The Big Issues

- Isolated or Occasional Sales (47:301(10)(c)(ii)(bb) - 4%/2%/0%)
  - Capital Contributions
  - Facility & Asset Sales
- Other constructions (47:301(16)(l) - 4%/2%/0%)
  - New Construction
  - Leases
  - Repairs
- Custom software (47:301(16)(h) - 5%/3%/0%)
  - Sale for Further Processing
  - Repairs
Sales Tax: Exclusion/Exemption Changes:
The Big Issues

- Separately stated installation charges (47:301(3)(a) - 0%/0%/0%)
- Separately stated labor charges on out of state repairs (47:301(3)(b) - 5%/3%/0%)
- Byproducts (47:301(18)(d)(ii) - 5%/3%/0%)
- Business Utilities
  - Steam (47:305(D)(1)(b) - 5%/4%/1%)
  - Energy for generation and Electricity (47:305(D)(1)(d) - 5%/4%/1%)
  - Natural gas (47:305(D)(1)(g) - 5%/4%/1%)
  - Materials and energy sources used as boiler fuel or to generate electricity for resale (47:305(D)(1)(h) - 5%/5%/2%)
    - Does not include natural gas and refinery gas
Sales Tax: Exclusion/Exemption Changes:
The Big Issues

- Gasoline (subject to excise tax) (Art VII Sec 27 of LA Constitution - 0%/0%/0%)
- Credit for taxes paid to other states (47:303 (A)(3)(a) - 0%/0%/0%)
- Membership dues involving entertainment, athletic, recreational (47:301(14)(b)(i) - 5%/3%/0%)
  - See Revenue Information Bulletin No. 16-014, March 30, 2016, Sales Tax
Sales Tax: Exclusion/Exemption Changes: Commercial/Industrial

- Electricity for chlor-alkali manufacturing (47:301(10)(c)(ii)(aa) - 5%/3%/0%)
- Natural gas used in production of iron (47:301(10)(c)(i)(bb) - 5%/3%/0%)
- Sales of airplanes and equipment to Louisiana commuter airlines (47:301(10)(k) - 5%/3%/0%)
- Sale of aircraft manufactured in Louisiana (47:301(10)(m) - 5%/3%/0%)
- Machinery & equipment to produce Unblended biodiesel (47:301(18)(k) - 5%/3%/0%)
Sales Tax: Exclusion/Exemption Changes: Commercial/Industrial

- Machinery & equipment used by motor vehicle and glass manufacturers (47:301(16)(m) - 2%/2%/0%)
- Lease of pallets by manufacturers (47:301(7)(l) - 5%/3%/0%)
- Shipbuilding (47:305.1 - 0%/0%/0%)
- Raw materials used in printing (47:305.44 - 5%/4%/1%)
- Utilities for steel works (47:305.51 - 5%/4%/1%)
- Pollution control equipment (non-MM&E) (47:301(10)(l) – (5%/3%/0%))
### Sales Tax: Exclusion/Exemption Changes: Commercial/Industrial

- Machinery & equipment for unblended biodiesel (47:301(10)(y) - 5%/3%/0%)
- Repairs performed in Louisiana when repaired property will be delivered out of state (47:301(14)(g) - 4%/2%/0%)
- Purchases of machinery and equipment by certain electric utilities (47:301(16)(o) - 5%/3%/0%)
Sales Tax: Exclusion/Exemption Changes:

Oil and Gas

- Refinery gas (47:301(3)(f), 47:301(13)(d) - 5%/5%/4%)
- Repairs/renovations to OCS drilling rigs (47:305(l) - 5%/3%/0%)
- Property purchased for first use offshore (47:305.10 - 4%/2%/0%)
- Lease of vessels used in offshore mineral production (47:305.19 - 5%/4%/1%)
- Natural gas used in gas storage services (47:301(10)(bb) - 5%/3%/0%)
Sales Tax: Exclusion/Exemption Changes:

Oil and Gas

- Anthropogenic carbon dioxide re: tertiary recovery (47:301(10)(gg) - 5%/3%/0%)
- Re-lease/re-rental of oilfield property (47:301(7)(b) - 5%/3%/0%)
- Separate stated charges for board roads (0%/0%/0%)
- Proprietary geophysical survey information (0%/0%/0%)
Sales Tax: Exclusion/Exemption Changes:
Paper and Wood Products Manufacturing

- Electricity & natural gas for paper & wood products manufacturing
  (47:301(3)(j) - 5%/3%/0%)
- Consumables for paper & wood products manufacturing
  (47:301(3)(k) - 5%/3%/0%)
- Sales of pelletized waste paper (47:301(10)(n) - 5%/3%/0%)
Sales Tax: Exclusion/Exemption Changes: Transportation

- Purchase, use, lease of trucks over 80,000 pounds/trailers (47:305.50(A)(2) - 0%/0%/0%)
- Purchase or use of trucks 26,000 pounds and less than 80,000 pounds used 80% of the time in interstate commerce (47:305.50(A)(1) - 0%/0%/0%)
- Purchase of contract carrier buses used 80% of the time in interstate commerce (47:305.50(B) - 1%/1%/0%)
- Sales of vehicles to be leased or rented (47:305.36(A) - 0%/0%/0%)
- Lease of vehicles for release or re-rental (47:305.36(A) - 5%/4%/1%)
- Cars, rolling stock owned, operated or leased by railroads (47:305.45 - 5%/1%/1%)
Sales Tax: Exclusion/Exemption Changes:
Transportation

- Sale or leases or rail rolling stock (47:305.50(E)(1) - 0%/1%/1%)
- Fabrication, modification or repair of rail rolling stock 47:305.50(E)(2) - (5%/3%/0%)
- Sale of "green" railroad ties for use in other states (47:305.50(F) - 4%/2%/0%)
- Leases of airplanes and equipment by commuter airlines (47:301(7)(d) - 5%/3%/0%)
Sales Tax: Exclusion/Exemption Changes:
Transportation

- Motor vehicles leases re: warranty repairs (47:301(7)(h) - 4%/2%/0%)
- No cost vehicle repair after warranty lapse (47:301(16)(c) - 5%/3%/0%)
- Vehicles removed from inventory / demonstrators (47:305(D)(1)(i) - 5%/4%/1%)
- Vessels removed from inventory / demonstrators (47:305(D)(1)(i) - (5%/3%/0%)
Sales Tax: Exclusion/Exemption Changes:

Medical

- Sales of human tissue, including organs (47:301(10)(d) - 4%/2%/0%)
- Sales to free care hospitals (47:301(10)(p) - 4%/2%/0%)
- Materials used on collection of blood (47:301(16)(j) - 4%/2%/0%)
- Supplies and equipment re: free hospital (47:301(18)(c) - 4%/2%/0%)
- Drugs prescribed by physicians and dentists (47:305(D)(1)(j) - 0%/0%/0%)
- Prescribed eyeglasses, wheelchairs, lifts, prosthetics (47:305(D)(1)(k) - 5%/3%/0%)
- Patient aids prescribed by a physician (47:305(D)(1)(m) - 5%/3%/0%)
Sales Tax: Exclusion/Exemption Changes:
Medical

- Medical devices under supervision of a physician (47:305(D)(1)(s) - 5%/3%/0%)
- Dental restorative devices (47:305(D)(1)(t) - 5%/3%/0%)
- Adaptive driving equipment prescribed by a physician (47:305(D)(1)(u) - 5%/4%/1%)
- Dialysis machines and parts (47:305(G) - 5%/4%/1%)
- Free pharmaceutical samples (47:305.47 - 5%/4%/1%)
Sales Tax: Exclusion/Exemption Changes:
Medical

- Equipment and software for radiation therapy (47:305.64 - 5%/3%/0%)
- Breastfeeding items (47:305.67 - 5%/3%/0%)
- Sales & rentals paid by Medicare (047:315.3 - 0%/0%/0%)
2016 Special Session Wrap-Up