

Enacted Louisiana sales and use tax law amends tax rate and availability of exclusions/exemptions

Overview

On June 24, 2018, Governor John Bel Edwards signed House Bill 10 (H.B. 10),¹ which includes the following modifications to Louisiana law:

- Reduces the rate of the temporary state sales and use tax from 1%, to 0.45%, and extends the sunset date of the temporary tax levy from June 30, 2018 to June 30, 2025.
- Provides for restrictions on the applicability of certain exclusions and exemptions that apply to *all* state sales and use tax levies from July 1, 2018 to June 30, 2025.

This tax alert summarizes these law changes that are effective July 1, 2018.

Reduces the rate of the temporary state sales and use tax and extends the sunset date

H.B. 10 reduces the rate of the temporary state sales and use tax levied under La. Rev. Stat. § 47:321.1 from 1% to 0.45%.² As a result, effective July 1, 2018 through June 30, 2025, the total sales tax rate applicable to transactions in the uniform base will be 4.45%. Effective July 1, 2025, the total sales tax rate will revert to 4.0%.

Provides for restrictions on the applicability of certain exclusions and exemptions

In 2016, Louisiana enacted legislation which effectively expanded the state sales and use tax base levied on tangible personal property and certain services under La. Rev. Stat. §§ 47:302, 321, and 331 by suspending the availability of numerous exclusions and exemptions, through either June 30, 2016 or June 30, 2018.³

H.B. 10 provides that, effective July 1, 2018 through June 30, 2025, only certain enumerated exclusions and exemptions shall be available, with all others suspended.⁴ The following notable exclusions and exemptions are not included in the available list, the net result being the affected transactions are otherwise taxable:⁵

- Labor charges on property repaired out-of-state and returned to Louisiana (La. Rev. Stat. § 47:301(3)(b))
- Airplanes and airplane equipment to commuter airlines domiciled in Louisiana (La. Rev. Stat. § 47:301(10)(k))
- Pollution control equipment (La. Rev. Stat. § 47:301(10)(l))
- Custom computer software (La. Rev. Stat. § 47:301(16)(h))
- Patient aids for home use prescribed by a physician (La. Rev. Stat. § 47:305(D)(1)(m))
- Insulin without a prescription (La. Rev. Stat. § 47:305.2)

H.B. 10 also provides that the exemptions for steam, water, electric power or energy, natural gas, or other energy sources as provided in La. Rev. Stat. §§ 47:305(D)(1)(b), (c), (d), (g), and (h) shall be applicable to the taxes levied under La. Rev. Stat. §§ 47:321, 321.1, and 331 *with respect to all taxpayers*. Prior to this law change, these exemptions had been suspended for business utilities. However, business utilities shall remain subject to the 2% state sales and use tax levied under La. Rev. Stat. § 47:302.⁶

¹ Act No. 1, 2018 3rd Extra Sess. H.B. 10 (Jun. 24, 2018). A copy of H.B. 10 is available [here](#).

² H.B. 10, Sec. 1., amending La. Rev. Stat. § 47:321.1.

³ Act No. 25, 2016 1st Extra. Sess. HB 61 (Mar. 15, 2016), Sec. 2.

⁴ H.B. 10, Sec. 1., amending La. Rev. Stat. §§ 47:302, 321, 321.1 and 331.

⁵ H.B. 10, Sec. 1.

⁶ H.B. 10, Sec. 1., amending La. Rev. Stat. §§ 47:305(D)(1)(b), (c), (d), (g), and (h)

External Multistate Tax Alert

Additional changes affecting certain telecommunication services

Beginning July 1, 2018, H.B. 10 amends the state sales tax rate on intrastate telecommunications services and prepaid calling cards, reducing the rate from 4% to 3.45%, and amends the state sales tax rate on interstate and international telecommunications, reducing the rate from 3% to 2.45%.⁷

Considerations

While this tax alert does not provide a comprehensive summary of all exclusion and exemption changes contained in H.B. 10, reference can be made to the updated Exemption Table recently posted by the Louisiana Department of Revenue on its website that includes an extensive list of transactions and the applicable sales tax rate factoring in available exemptions and exclusions.⁸

Taxpayers who may be impacted by H.B. 10 are advised to consult with their Louisiana tax advisors for further assistance.

Contacts:

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⁷ Revenue Information Bulletin No. 18-017

⁸ See *Taxable Rate of Transactions for Exemptions and Exclusions for periods July 1, 2013 through June 30, 2025*, available [here](#).
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