



## **Revenue Information Bulletin**

**No. 08-022**

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**Sales Taxes**

### **Two Acts of the 2008 Second Extraordinary Session Provide State Sales Tax Reduction on Certain Nonresidential Utility and Energy Products**

Acts 1 and 9 of the 2008 Second Extraordinary Session of the Louisiana Legislature provide both a one percent reduction in the sales tax rate applicable to sales and purchases of certain utility and energy products for nonresidential use and a total exclusion from sales tax on sales and purchases of two other energy products, also for nonresidential use. These changes became effective on July 1, 2008.

The elimination by these acts of the one percent rate imposed by La. R.S. 47:321(H) means that, as of July 1, 2008, the state sales tax rate on sales of electric power or energy and natural gas for nonresidential use will be reduced from 3.3 percent to 2.3 percent, the sum of the remaining two percent rate imposed by La. R.S. 47:302(R)(1) and the 0.3 percent rate imposed by La. R.S. 47:331(P), and the rate of tax on sales of steam and water will be reduced from 3.8 percent to 2.8 percent, the sum of the remaining 2 percent rate imposed by La. R.S. 47:302(R)(1) and the 0.8 percent rate imposed by La. R.S. 47:331(P).

Natural gas, electricity, and water sold to consumers for residential use have since July 1, 2003, been exempt from the state sales and use tax, as provided by Article VII, Section 2.2 of the Louisiana Constitution. Sales of steam, water, natural gas, and electric power or energy, for either residential or nonresidential use are exempt from the sales and use taxes of political subdivisions of the state, as provided by La. R.S. 47:305(D)(1)(b), (c), (d), and (g), and La. R.S. 47:337.9(C)(7), (8), (9), and (12).

Louisiana Revised Statute 47:301(10)(x), as amended by Act 9, provides that for taxable periods beginning on or after July 1, 2008, the sale or purchase by any person of butane and propane will be excluded from the sales and use tax imposed by the State of Louisiana and the Louisiana Tourism Promotion District. Before July 1, sales of butane and propane were excluded from state sales and use taxes only when sold to consumers for residential use.

Acts 1 and 9 both amended La. R.S. 47:301(10)(x) relative to the exclusion of certain energy products from the definition of the terms “retail sale” or “sale at retail” for purposes of the four percent sales and use tax imposed by the State of Louisiana and the Louisiana Tourism Promotion District. However, since Act 9 was the last expression of legislative will during the Second Extraordinary Legislative Session, the amendments to La. R.S. 47:301(10)(x) by Act 9 are controlling and supersede the amendments to the same statute by Act 1.

Utility companies are required to remit the state sales tax on the sales tax return for the month in which they invoice their customers. For example, if a customer’s utility meter is read on July 5, 2008, and an invoice is rendered to the customer on July 6, the state sales tax on that invoice is payable to the Department with the utility's July 2008, sales tax return which is due on or before August 20.

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Utility companies must use a special formula to calculate the taxes due for metered service periods that include days before and after the July 1, 2008, rate change. For example, if a nonresidential meter is read on July 5, 2008, with 30 days in the service period since the previous reading, 25/30ths of the charges for the period will be subject to the tax at the 3.3 percent rate that was applicable before July 1, 2008. The remainder or 5/30ths of the charges for the period will be subject to the 2.3 percent rate applicable to nonresidential sales for periods on and after July 1, 2008. These fractions will change for each meter reading date.

Questions can be direct to the Department's Taxpayer Services Division at 225-219-7356.

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