

2017 Regular Session

HOUSE BILL NO. 166

BY REPRESENTATIVE BROADWATER

TAX/INCOME-CREDIT: Provides with respect to eligibility for the tax credit for ad valorem taxes paid on inventory

1 AN ACT

2 To amend and reenact R.S. 47:6006(C)(2)(b)(ii), (iii), and (iv) and (4) and to enact R.S.
3 47:6006(C)(2)(a)(iv), relative to income taxes; to provide with respect to the tax
4 credit for local taxes paid on inventory; to provide for certain definitions; to provide
5 for eligibility of taxpayers claiming the tax credit; to provide for limitations; to
6 provide for applicability; to provide for effectiveness; and to provide for related
7 matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:6006(C)(2)(b)(ii), (iii), and (iv) and (4) are hereby amended and
10 reenacted and R.S. 47:6006(C)(2)(a)(iv) is hereby enacted to read as follows:

11 §6006. Tax credits for local inventory taxes paid

12 * * *

13 C. For purposes of this Section, the following terms shall have the meanings
14 ascribed to them:

15 * * *

16 (2) "Inventory" means the aggregate of those items of tangible personal
17 property that are held ~~exclusively~~ for sale in the ordinary course of business, are
18 currently in the process of production for subsequent sale, or are to physically
19 become a part of the production of such goods.

1 (a) "Inventory" shall include the following:

2 * * *

3 (iv) Corporeal movable property held by a retailer that is available for rental
4 but that will subsequently or ultimately be sold by the retailer, regardless of the term
5 of the rental.

6 (b) "Inventory" shall not include the following:

7 * * *

8 (ii) Items that would otherwise be considered inventory at any time
9 following the initial lease by the taxpayer of such items. The provisions of this Item
10 shall not include the rental of corporeal movable property as provided for in Item (iv)
11 of Subparagraph (a) of this Paragraph.

12 (iii) Items that would otherwise be considered inventory any time after the
13 taxpayer has commenced depreciating the item on the taxpayer's federal tax return.
14 The provisions of this Item shall not include the rental of corporeal movable property
15 as provided for in Item (iv) of Subparagraph (a) of this Paragraph.

16 (iv) Items that have been subject to use by the taxpayer when owned for
17 more than eighteen months. The provisions of this Item shall not include the rental
18 of corporeal movable property as provided for in Item (iv) of Subparagraph (a) of
19 this Paragraph.

20 * * *

21 (4) "Retailer" means a person engaged in the sale of products to the ultimate
22 consumer. The term "retailer" shall also include a person engaged in the short-term
23 rental of corporeal movable property classified under code numbers 532412 and
24 532310 of the North American Industry Classification System published by the
25 United States Bureau of Census.

26 * * *

27 Section 2. The provisions of this Act shall apply retroactively to tax periods
28 beginning on and after January 1, 2016.

1 Section 3. This Act shall become effective upon signature by the governor or, if not
2 signed by the governor, upon expiration of the time for bills to become law without signature
3 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
4 vetoed by the governor and subsequently approved by the legislature, this Act shall become
5 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 166 Original

2017 Regular Session

Broadwater

Abstract: Adds corporeal movables held by a retailer that are available for short-term rental to the definition of "inventory" for purposes of eligibility for the tax credit for ad valorem taxes paid on inventory.

Present law provides for an income or corporation franchise tax credit, the amount of which, shall be equal to the amount of ad valorem taxes paid by the taxpayer to political subdivisions on inventory held by manufacturers, distributors, and retailers.

Present law provides for a graduated scale of the amount of the tax credit refunded to the taxpayer or carried forward and applied against subsequent tax liability for not longer than five years based on the amount of the ad valorem taxes paid to political subdivisions as follows:

For businesses registered to do business in this state prior to April 15, 2016

- (1) Taxpayers whose ad valorem taxes paid to all political subdivisions was less than or equal to \$500,000 shall be refunded all of the excess credit.
- (2) Taxpayers whose ad valorem taxes paid to all political subdivisions was more than \$500,000, but less than or equal to \$1M, shall be refunded 75% of the excess credit, and the remaining 25% shall be carried forward as a credit against subsequent tax liability for not longer than five years.
- (3) Taxpayers whose ad valorem taxes paid to all political subdivisions was more than \$1M shall be refunded 75% of the first \$1M of excess credit, and the remaining amount of the credit shall be carried forward as a credit against subsequent tax liability for not longer than five years.

For businesses registered to do business in this state after April 15, 2016

- (1) Taxpayers whose ad valorem taxes paid to all political subdivisions was less than \$10,000 shall be refunded all of the excess credit.
- (2) Taxpayers whose ad valorem taxes paid to all political subdivisions was \$10,000 or more, but no more than \$1M shall be refunded 75% of the excess credit, and the remaining 25% shall be carried forward as a credit against subsequent tax liability for not longer than five years.

Present law defines "inventory" and "retailer" for purposes of determining eligibility of the tax credit.

Proposed law retains present law but adds to the definition of "inventory" corporeal movable property held by a retailer that is available for rental but that will subsequently or ultimately be sold by the retailer, regardless of the term of the rental.

Proposed law retains present law but adds to the definition of "retailer" a person engaged in the short-term rental of corporeal movable property classified under code numbers 532412 and 532310 of the North American Industry Classification System (NAICS) published by the U.S. Bureau of Census.

Retroactive applicable to tax periods beginning on and after Jan. 1, 2016.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:6006(C)(2)(b)(ii), (iii), and (iv) and (4); Adds R. S. 47:6006(C)(2)(a)(iv))