

2017 Regular Session

SENATE BILL NO. 166

BY SENATOR MORRELL

TAX/TAXATION. Terminates certain tax exemptions, exclusions, or deductions in 2021.
(8/1/17)

1 AN ACT

2 To amend and reenact R.S. 3:84 and 147, R.S. 12:425, R.S. 22:2065, R.S. 26:345, R.S.

3 47:48, 51, 121, 713, 716.1 and 818.14(A)(3), and to enact R.S. 3:4684(C), R.S.

4 26:354(L), 366(C) and 421(F), R.S. 45:1177(D), R.S. 47:158(I), 246(H), 287.71(C),

5 287.73(D), 287.86(F), 287.501(C), 287.521(C), 287.732(D), 287.738(H),

6 287.745(C), 602(I), 605(D), 606(G), 632(C), 633.1, and 823(F) and to repeal certain

7 other exclusions and exemptions against sales tax, relative to taxation; to provide for

8 the elimination of certain tax exemptions, exclusions and deductions; to provide for

9 applicability unless required under certain circumstances; to provide for an effective

10 date; and to provide for related matters.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 3:84 and 147 are hereby amended and reenacted and R.S. 3:4684(C)

13 are hereby enacted to read as follows:

14 * * *

15 §84. License fee and tax liability

16 A. Each association organized under this Part shall pay an annual license fee

17 of ten dollars to the secretary of state, and shall be exempt from all franchise or other

1 license taxes, but not from ad valorem property taxes. The provisions of this Section
2 shall likewise apply to associations and corporations organized under the laws of the
3 United States for the sole purpose of extension of credit to farmers and farmers'
4 co-operative associations.

5 **B. The exemption provided for pursuant to the provisions of this Section**
6 **shall terminate and shall have no effect beginning January 1, 2021.**

7 * * *

8 §147. Annual license fees

9 **A.** Each association organized hereunder shall pay an annual license fee of
10 ten dollars, but shall be exempt from all franchise or other license taxes, except upon
11 its real estate, furniture, and fixtures.

12 **B. The exemption provided for pursuant to the provisions of this Section**
13 **shall terminate and shall have no effect beginning January 1, 2021.**

14 * * *

15 §4684. Fee to be collected for testing, etc.

16 * * *

17 **C. The exemption provided for pursuant to the provisions of this Section**
18 **shall terminate and shall have no effect beginning January 1, 2021.**

19 Section 2. R.S. 12:425 is hereby amended and reenacted and to read as follows:

20 §425. Taxation

21 **A.** Each cooperative shall pay annually, on or before the first day of July, to
22 the department of revenue, a fee of ten dollars for each one hundred persons or
23 fraction thereof to whom electricity is supplied within the state by it, but shall be
24 exempt from all other excise and income taxes whatsoever.

25 **B. The exemption provided for pursuant to the provisions of this Section**
26 **shall terminate and shall have no effect beginning January 1, 2021.**

27 Section 3. R.S. 22:2065 is hereby amended and reenacted to read as follows:

28 §2065. Tax exemption

29 **A.** The association shall be exempt from payment of all fees and all taxes

1 levied by this state or any of its subdivisions except taxes levied on real or personal
2 property.

3 **B. The exemption provided for pursuant to the provisions of this Section**
4 **shall terminate and shall have no effect beginning January 1, 2021.**

5 * * *

6 Section 4. R.S. 26:345 is hereby amended and reenacted and R.S. 26:354(L), 366(C),
7 421(F) are hereby enacted to read as follows:

8 §345. Discount on taxes on beverages of low alcoholic content

9 **A.** For accurately reporting and timely remitting the taxes due under the
10 provisions of R.S. 26:342, all taxpayers shall be allowed a discount of one and one-
11 half percent of the amount of the tax otherwise due.

12 **B. The deduction provided for pursuant to the provisions of this Section**
13 **shall terminate and shall have no effect beginning January 1, 2021.**

14 * * *

15 §354. Payment and reporting of taxes; discounts; rules and regulations; enforcement;
16 forfeitures and penalties; redemption of tax stamps

17 * * *

18 **L. The discount provided for pursuant to the provisions of this Section**
19 **shall terminate and shall have no effect beginning January 1, 2021.**

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21 §366. Exported beverages not subject to tax

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23 **C. The exemption provided for pursuant to the provisions of this Section**
24 **shall terminate and shall have no effect beginning January 1, 2021.**

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26 §421. Exempt products

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28 **F. The exemption provided for pursuant to the provisions of this Section**
29 **shall terminate and shall have no effect beginning January 1, 2021.**

1 Section 5. R.S. 45:1177(D) is hereby enacted to read as follows:

2 §1177. Inspection and supervision fees; Utility and Carrier Inspection and
3 Supervision Fund

4 * * *

5 **D. The exclusion provided for pursuant to the provisions of this Section**
6 **shall terminate and shall have no effect beginning January 1, 2021.**

7 * * *

8 Section 6. R.S. 47:48, 51, 121, 713, 716.1 and 818.14(A)(3) are hereby amended and
9 reenacted and R.S. 158(I), 246(H), 287.71(C), 287.73(D), 287.86(F), 287.501(C),
10 287.521(C), 287.732(D), 287.738(H), 287.745(C), 602(I), 605(D), 606(G), 632(C), 633.1,
11 and 823(F) are hereby enacted to read as follows:

12 §48. Exclusion from gross income; interest on Louisiana state or local government
13 obligations

14 **A.** The amount of interest received upon obligations of the State of Louisiana,
15 or any political or municipal subdivision thereof, to such extent as is now exempt by
16 law shall not be included in gross income.

17 **B. The exclusion provided for pursuant to the provisions of this Section**
18 **shall terminate and shall have no effect for tax periods beginning on or after**
19 **January 1, 2021.**

20 * * *

21 §51. Exclusions from gross income; governmental subsidies

22 **A.** Seventy-two percent of funds accrued by a corporation engaged in
23 operating a public transportation system from any federal, state or municipal
24 governmental entity to subsidize the operation and maintenance of such a
25 transportation system shall not be included in gross income and shall be exempt from
26 taxation under this Chapter. All expenses of operating the transit system incurred by
27 the corporation shall be deductible in arriving at net income.

28 **B. The exclusion provided for pursuant to the provisions of this Section**
29 **shall terminate and shall have no effect for tax periods beginning on or after**

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January 1, 2021.

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§121. Exemptions from tax on corporations

A. The following organizations shall be exempt from taxation under this Chapter:

- (1) Labor, agricultural, or horticultural organizations;
- (2) Mutual savings banks, national banking corporations and banking corporations organized under the laws of the State of Louisiana who pay a tax for their shareholders or whose shareholders pay a tax on their shares of stock under other laws of this state, and building and loan associations;
- (3) Fraternal beneficiary societies, orders, or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to members of such society, order or association or their dependents;
- (4) Cemetery companies owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, no part of the net earnings of which inures to the benefit of any private shareholder or individual;
- (5) Corporations and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation. Any corporation, community chest, fund or foundation which annually or more frequently contributes all of its current net earnings, less a reasonable reserve not to exceed \$1,000 for anticipated expenses and future contributions, to organizations which are organized and operated exclusively

1 for religious, charitable, scientific, literary or educational purposes, or for the
2 prevention of cruelty to children or animals, shall itself be deemed organized and
3 operated exclusively for religious, charitable, scientific, literary or educational
4 purposes, or for the prevention of cruelty to children or animals, provided that said
5 corporation, community chest, fund or foundation is not engaged in the active
6 conduct of a trade or business, no part of its net earnings inures to the benefit of any
7 private shareholder or individual and no substantial part of its activities is carrying
8 on propaganda or otherwise attempting to influence legislation;

9 (6) Business leagues, chambers of commerce, real estate boards, or boards
10 of trade, not organized for profit and no part of the net earnings of which inures to
11 the benefit of any private shareholder or individual;

12 (7) Civic leagues or organizations not organized for profit but operated
13 exclusively for the promotion of social welfare, or local associations of employees,
14 the membership of which is limited to the employees of a designated person or
15 persons in a particular municipality, and the net earnings of which are devoted
16 exclusively to charitable, educational, or recreational purposes, and no substantial
17 part of the activities of which is carrying on propaganda, or otherwise attempting to
18 influence legislation;

19 (8) Clubs organized and operated exclusively for pleasure, recreation, and
20 other nonprofitable purposes, no part of the net earnings of which inures to the
21 benefit of any private shareholder;

22 (9) Benevolent life insurance associations of a purely local character, mutual
23 ditch or irrigation companies, mutual or cooperative telephone companies, or like
24 organizations, but only if eighty-five per centum (85%) or more of the income
25 consists of amounts collected from members for the sole purpose of meeting losses
26 and expenses;

27 (10) Farmers' or other mutual hail, cyclone, casualty, or fire insurance
28 companies or associations (including interinsurers and reciprocal underwriters) the
29 income of which is used or held for the purpose of paying losses or expenses;

1 (11) Farmers', fruitgrowers', or like associations organized and operated on
2 a cooperative basis for the purpose of marketing the products of members or other
3 producers, and turning back to them the proceeds of sales, less the necessary
4 marketing expenses, on the basis of either the quantity or the value of the product
5 furnished by them, or for the purpose of purchasing supplies and equipment for the
6 use of members or other persons, and turning over such supplies and equipment to
7 them at actual cost, plus necessary expenses. Exemption shall not be denied any
8 such association because it has capital stock, if the dividend rate of such stock is
9 fixed at not to exceed the legal interest rate per annum on the value of the
10 consideration for which the stock was issued, and if substantially all of such stock
11 (other than nonvoting preferred stock, the owners of which are not entitled or
12 permitted to participate, directly or indirectly, in the profits of the association, upon
13 dissolution or otherwise, beyond the fixed dividends) is owned by producers who
14 market their products or purchase their supplies and equipment through the
15 association; nor shall exemption be denied any such association because there is
16 accumulated and maintained by it a reserve required by state law or a reasonable
17 reserve for any necessary purpose. Such an association may market the products of
18 nonmembers in an amount the value of which does not exceed the value of the
19 products marketed for members, and may purchase supplies and equipment for
20 nonmembers in an amount the value of which does not exceed the value of the
21 supplies and equipment purchased for members, provided the value of the purchases
22 made for persons who are neither members nor producers does not exceed fifteen per
23 cent of the value of all its purchases;

24 (12) Corporations organized by an association exempt under the provisions
25 of Paragraph (11) of this Section or members thereof, for the purpose of financing
26 the ordinary crop operations of such members or other producers, and operated in
27 conjunction with such association. Exemption shall not be denied any such
28 corporation because it has capital stock, if the dividend rate of such stock is fixed at
29 not to exceed the legal interest rate per annum on the value of the consideration for

1 which the stock was issued, and if substantially all such stock (other than nonvoting
 2 preferred stock, the owners of which are not entitled or permitted to participate,
 3 directly or indirectly, in the profits of the corporation, upon dissolution, or otherwise,
 4 beyond the fixed dividends) is owned by such association, or members thereof; nor
 5 shall exemption be denied any such corporation because there is accumulated and
 6 maintained by it a reserve required by state law or a reasonable reserve for any
 7 necessary purpose;

8 (13) Corporations organized for the exclusive purpose of holding title to
 9 property, collecting income therefrom, and turning over the entire amount thereof,
 10 less expenses, to organizations which are organized and operated exclusively for
 11 religious, charitable, scientific, literary, and educational purposes, no part of the net
 12 earnings of which inures to the benefit of any private stockholder;

13 (14) Voluntary employees' beneficiary association providing for the payment
 14 of life, sick, accident, or other benefits to the members of such association or their
 15 dependents, if no part of their net earnings inures (other than through such payments)
 16 to the benefit of any private shareholder or individual, and if eighty-five per centum
 17 (85%) or more of the income consists of amounts collected from members for the
 18 sole purpose of making such payments and meeting expenses;

19 (15) Teachers' retirement fund associations of a purely local character, if no
 20 part of their net earnings inures (other than through payment of retirement benefits)
 21 to the benefit of any private shareholder or individual, and if the income consists
 22 solely of amounts received from public taxation, amounts received from assessments
 23 upon the teaching salaries of members, and income in respect of investments.

24 **B. The deduction provided for pursuant to the provisions of this Section**
 25 **shall terminate and shall have no effect for tax periods beginning on or after**
 26 **January 1, 2021.**

27 * * *

28 §158. Basis for depletion

29 * * *

1 **I. The deduction provided for pursuant to the provisions of this Section**
 2 **shall terminate and shall have no effect for tax periods beginning on or after**
 3 **January 1, 2021.**

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5 §246. Corporations; deduction from net income from Louisiana sources

6 * * *

7 **H. The deduction provided for pursuant to the provisions of this Section**
 8 **shall terminate and shall have no effect for tax periods beginning on or after**
 9 **January 1, 2021.**

10 * * *

11 §287.71. Modifications to federal gross income

12 * * *

13 **C. The deduction provided for pursuant to the provisions of this Section**
 14 **shall terminate and shall have no effect for tax periods beginning on or after**
 15 **January 1, 2021.**

16 * * *

17 §287.73. Modifications to deductions from gross income allowed by federal law

18 * * *

19 **D. The deduction provided for pursuant to the provisions of this Section**
 20 **shall terminate and shall have no effect for tax periods beginning on or after**
 21 **January 1, 2021.**

22 * * *

23 §287.86. Net operating loss deduction

24 * * *

25 **F. The deduction provided for pursuant to the provisions of this Section**
 26 **shall terminate and shall have no effect for tax periods beginning on or after**
 27 **January 1, 2021.**

28 * * *

29 §287.501. Exemption from tax on corporations

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C. The exemption provided for pursuant to the provisions of this Section shall terminate and shall have no effect for tax periods beginning on or after January 1, 2021.

§287.521. Farmers' cooperatives; all cooperatives

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C. The deduction provided for pursuant to the provisions of this Section shall terminate and shall have no effect for tax periods beginning on or after January 1, 2021.

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§287.732. S Corporations

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D. The deduction provided for pursuant to the provisions of this Section shall terminate and shall have no effect for tax periods beginning on or after January 1, 2021.

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§287.738. Other inclusions and exclusions from gross income

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H. The deduction provided for pursuant to the provisions of this Section shall terminate and shall have no effect for tax periods beginning on or after January 1, 2021.

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§287.745. Deductions from gross income; depletion

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C. The deduction provided for pursuant to the provisions of this Section shall terminate and shall have no effect for tax periods beginning on or after January 1, 2021.

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§602. Determination of taxable capital

- (2) R.S. 12:425 - Taxation
- (3) R.S. 22:2065 - Tax exemption
- (4) R.S. 26:345 - Discount on taxes on beverages of low alcoholic content
- (5) R.S. 47:48 - Exclusion from gross income; interest on Louisiana state or local government obligations
- (6) R.S. 47:51 - Exclusions from gross income; governmental subsidies
- (7) R.S. 47:121 - Exemptions from tax on corporations
- (8) R.S. 47:633 - Rates of tax
- (9) R.S. 47:713 - Exclusions and exemptions; casinghead gasoline sold for commercial blending
- (10) R.S. 47:716.1 - Exclusions and exemptions; aviation gasoline
- (11) R.S. 3:147 - Annual license fees
- (12) R.S. 3:4684 - Fee to be collected for testing, etc.
- (13) R.S. 26:354 - Payment and reporting of taxes; discounts; rules and regulations; enforcement; forfeitures and penalties; redemption of tax stamps
- (14) R.S. 26:366 - Exported beverages not subject to tax
- (15) R.S. 26:421 - Exempt products
- (16) R.S. 45:1177 - Inspection and supervision fees; Utility and Carrier Inspection and Supervision Fund
- (17) R.S. 47:158 - Basis for depletion
- (18) R.S. 47:246 - Corporations; deduction from net income from Louisiana sources
- (19) R.S. 47:287.71 - Modifications to federal gross income
- (20) R.S. 47:287.73 - Modifications to deductions from gross income allowed by federal law
- (21) R.S. 47:287.86 - Net operating loss deduction
- (22) R.S. 47:287.501 - Exemption from tax on corporations
- (23) R.S. 47:287.521 - Farmers' cooperatives; all cooperatives
- (24) R.S. 47:287.732 - S Corporations
- (25) R.S. 47:287.738 - Other inclusions and exclusions from gross income
- (26) R.S. 47:287.745 - Deductions from gross income; depletion
- (27) R.S. 47:602 - Determination of taxable capital
- (28) R.S. 47:605 - Surplus and undivided profits

- (29) R.S. 47:606 - Allocation of taxable capital
- (30) R.S. 47:632 - Taxes payable by owners; lien and privilege created
- (31) R.S. 47:713 - Exclusions and exemptions; casinghead gasoline sold for commercial blending
- (32) R.S. 47:716.1 - Exclusions and exemptions; aviation gasoline
- (33) R.S. 47:818.14 - Exemptions from tax
- (34) R.S. 47:823 - Rate of tax

Proposed law eliminates present law on January 1, 2021.

Proposed law provides that exclusions or exemptions in state law do not apply to any sales and use tax levied under R.S. 47:302, 321, 321.1, 331, or R.S. 51:1286 except as follows:

- (1) Any exclusion or exemption which causes the tax to be levied upon a sale which is not a retail sale of, not a use, consumption, distribution, or storage for use or consumption of, or not the lease or rental of, an item or article of tangible personal property.
- (2) The exclusion or exemption is required by federal law or the Constitution of the United States.
- (3) The exclusion or exemption is required pursuant to an agreement by the state of Louisiana for the operation of a public facility.

Proposed law provides that the limitation on such exclusions or exemptions apply to all taxable periods beginning on or after January 1, 2018.

Effective August 1, 2017.

(Amends R.S. 3:84 and 147, R.S. 12:425, R.S. 22:2065, R.S. 26:345, R.S. 47:48, 51, 121, 713, 716.1 and 818.14(A)(3); adds R.S. 3:4684(C), R.S. 26:354(L), 366(C) and 421(F), R.S. 45:1177(D), R.S. 47:158(I), 246(H), 287.71(C), 287.73(D), 287.86(F), 287.501(C), 287.521(C), 287.732(D), 287.738(H), 287.745(C), 602(I), 605(D), 606(G), 632(C), 633.1, and 823(F))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

- 1. Adds R.S. 47:818.14 (Exemptions from tax) to the list of exemptions, exclusions and deduction that shall terminate beginning in 2021.
- 2. Makes technical changes.