

**Revenue Information Bulletin  
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Sales Tax**

**Act Provides Sales Tax Rate Reductions for Non-Residential Sales of Natural Gas, Electricity; Special Provisions for Paper, Wood Products Manufacturers**

Act 48 of the 2005 First Extraordinary Session of the Louisiana Legislature has reduced the state sales tax rate on sales of natural gas and electricity for non-residential consumers. Effective January 1, 2006, the rate is reduced to 3.3 percent from the current 3.8 percent. This reduced rate will remain in effect through June 30, 2009.

The Act makes other changes to the sales taxation of natural gas and electricity that affect only paper and wood products manufacturing facilities. Effective July 1, 2006, and continuing through December 31, 2008, the definition of “cost price” under R.S. 47:301(3) and the definition of “sales price” under R.S. 47:301(13) are amended to provide that the taxable base on sales of natural gas to paper and wood products manufacturing facilities shall not exceed any amount in excess of \$6.20 per MMBtu. The 3.3 percent tax rate will be applied to the taxable base that is not in excess of \$6.20 per MMBtu. For the period July 1, 2006, through December 31, 2008, Act 48 also fully exempts sales of electric power or energy to paper and wood products manufacturing facilities.

Act 48 does not affect the taxability of sales of natural gas, electric power, or energy to residential consumers. Such sales remain fully exempt from the state sales tax, as provided for by Article VII, Section 2.2 of the Louisiana Constitution.

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 January 5<sup>th</sup>, and an invoice is rendered to the customer on January 6, the state sales tax on that invoice is payable to the department with the utility's January sales tax return which is due on or before February 20.

Utility companies must use a special formula to calculate the taxes due for metered service periods that include days before and after the January 1, 2006, and July 1, 2006, rate changes. For example, if a non-residential meter is read on January 5, 2006, 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 3.8 percent rate that was applicable before January 1, 2006. The remainder or 5/30ths of the charges for the period will be subject to the 3.3 percent rate applicable to non-residential sales for periods on and after January 1, 2006. These fractions will change for each meter reading date.

Questions concerning this matter can be directed to the Taxpayer Services Division at 225.219.7356.

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Secretary