

Revenue Ruling No. 19-001
April 17, 2019
Inspection and Supervision Fees

Pipelines with Intrastate Movements Beginning or Ending in Foreign Trade Zones

Purpose

The purpose of this ruling is to provide clarity regarding the application of the Inspection and Supervision Fees (“I&S Fees”) owed by pipe lines with respect to movements of oil within Louisiana which begin or end in a Foreign Trade Zone (“FTZ”) located in Louisiana.

Law

LA R.S. 45:1177(A)(1) imposes I&S Fees as follows:

Each motor carrier as defined in R.S. 45:162(12) and public utility doing business in Louisiana and subject to control and jurisdiction of the commission shall pay to the state a fee for the inspection, control, and supervision of the business service and rates of such common carrier and public utility, in addition to any and all property, franchise, license, and other taxes, and fees and charges now or hereafter fixed, assessed, or charged by law against such common carrier and public utility. The amount of the fees shall be measured by the gross receipts of each public utility from its Louisiana intrastate business. The amount of the fees for each motor carrier as defined in R.S. 45:162(12) shall be measured by the gross receipts of such carrier derived from those activities that are subject to the control and jurisdiction of the commission.

FTZs are geographical areas in or adjacent to ports of entry located within the United States but considered to be outside of the United States for tariff purposes.¹ LA R.S. 51:62 authorizes the establishment of FTZs in Louisiana. As provided by 19 U.S.C. 81o, “[t]angible personal property produced in the United States and held in a zone for exportation ... shall be exempt from State and local ad valorem taxation.”

For purposes of determining Louisiana apportionment percentages to calculate the Louisiana corporation income tax, corporeal movable property located in Louisiana in United States customs-

¹ 19 U.S.C. 81a *et seq.*

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bonded warehouses or FTZs established under the FTZ Act shall be considered as located outside of Louisiana.²

Similarly, for purposes of the allocation of taxable capital when calculating Louisiana corporation franchise tax, corporeal movable property imported into the United States and located in FTZs established under the FTZ Act shall be considered located outside of Louisiana.³

Analysis

I&S Fees are due on all gross receipts from intrastate business, that is, all business beginning and ending within Louisiana.⁴ FTZs established in accordance with 19 U.S.C. 81c are, by definition, geographical areas located within the United States. Those FTZs established in Louisiana under the authority granted in LA R.S. 51:62 are, in fact, located within the geographical limits of Louisiana.

Under the FTZ Act, property located in an FTZ is considered as being located outside of the United States for tariff purposes and is exempt from state and local ad valorem taxes.⁵ The exemption does not extend to other state and local taxes and is limited to tangible personal property produced in the United States and held in the FTZ for exportation.

As noted above, Louisiana has legislatively adopted two additional instances in which property located in FTZs in Louisiana will be considered as located outside of Louisiana.⁶ Those instances specifically relate to the calculation of Louisiana corporation income and corporation franchise tax and are limited to those taxes.

There is no exemption in the law that authorizes or requires an FTZ located in Louisiana to be treated as being outside of the state for purposes of the I&S Fees. Therefore, the FTZ is not considered to be outside of Louisiana or the United States for purposes of the I&S Fees. Since the FTZ is, in fact, located in Louisiana, any movement of oil which begins or ends within the FTZ is considered to occur within LA. In that regard, movements of oil which occur within Louisiana and begin or end in an FTZ located in Louisiana is considered Louisiana intrastate business within the meaning of LA R.S. 45:1177, and gross receipts from these transactions are subject to the I&S Fees.

² LA R.S. 47:287.95(H)

³ LA R.S. 47:606(D)

⁴ See generally LA R.S. 45:1177

⁵ 19 U.S.C. 18c; 19 U.S.C. 81o

⁶ See LA R.S. 47:287.95(H) and 47:606(D)

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Ruling

Inspection and Supervision Fees are due by pipe lines on gross receipts from their business conducted wholly within Louisiana, including movement of oil which begins or ends in a Foreign Trade Zone located in Louisiana.

Kimberly L. Robinson
Secretary

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