



201 ST. CHARLES AVENUE
NEW ORLEANS, LOUISIANA 70170-5100
504-582-8000
FAX 504-582-8583
www.joneswalker.com

William M. Backstrom, Jr.
Board Certified Tax Specialist
Direct Dial: 504-582-8228
Direct Fax: 504-589-8228

September 12, 2016

Hon. Kimberly L. Robinson, Esq.
Secretary of Revenue
Louisiana Department of Revenue
617 North 3rd Street
Baton Rouge, LA 70802

Dr. James A. Richardson
Director, Public Administration Institute
Louisiana State University
3200 Patrick Taylor Hall
Baton Rouge, LA 70803

Re: Task Force on Structural Changes in Budget & Tax Policy – Additional
Comments On Behalf of Members of the Heavy Equipment Rental Industry

Dear Secretary Robinson and Dr. Richardson:

I would like to thank you again for the time and consideration the Task Force on Structural Changes in Budget and Tax Policy (the “Task Force”) committed to hear issues affecting the heavy equipment rental industry. I hope the testimony and materials we provided will help the Task Force in preparing its final Report.

As I discussed in previous testimony and correspondence, the heavy equipment rental industry suggests that the following specific recommendations be included in the Task Force’s Report:

1. **Sales/Use Tax Reforms** - In order to eliminate or reduce the disparity in the sales/use tax treatment of the heavy equipment rental industry, return Louisiana to a competitive posture, restore long-standing tax policies, and eliminate the multi-level taxation of equipment rental and sales transactions, Louisiana should fully restore the sales/use tax exclusions in La. R.S. 47:301(10)(a) and La. R.S. 47:301(14)(a) (together, the “Rental Exclusion”), which were “temporarily” and partially suspended by Act No. 25 of the 2016 1st Special Session of the Louisiana Legislature, so that the

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Rental Exclusion applies to all State-level sales/use taxes. The Rental Exclusion already applies to all local sales/use taxes.

2. **Inventory Tax Credit Reforms**

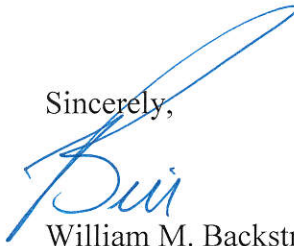
- a. Louisiana should treat a heavy equipment rental fleet as inventory for Louisiana *ad valorem* property tax purposes and for purposes of the Louisiana credit for local property taxes paid on such inventory, as provided in La. R.S. 47:6006 (as it existed prior to its amendment by Act No. 415 of the 2015 Regular Session of the Louisiana Legislature), so that such inventory will be treated the same as inventory held by retail dealers of heavy equipment.
- b. In addition or in the alternative, the Task Force's Report should acknowledge the unique nature of the heavy equipment rental industry as recognized and acknowledged by the American Legislative Exchange Council Tax and Fiscal Tax Policy Task Force and the National Conference of State Legislators Executive Task Force on State and Local Taxation, both of which support alternatives that reflect the following needs of the heavy equipment rental industry:
 - i. Providing an exemption for all types of business inventory and defining inventory broadly to reflect different forms of inventory (*e.g.*, rental equipment that is or ultimately will be offered for sale or spare parts retained in a storage facility); and
 - ii. Consider administrative accommodations or substitute taxes for taxpayers with highly mobile property that will be used in multiple locations (within the state or in multiple states) throughout the tax year (*e.g.*, heavy equipment rentals).

Copies of the resolutions from both organizations are in the Task Force's records.

Again, I appreciate your consideration of the submissions I have made to the Task Force on behalf of the heavy equipment rental industry. If you have any questions regarding the foregoing or if you need any additional information, please do not hesitate to contact me.

With kindest regard,

Sincerely,



William M. Backstrom, Jr.

WMB,JR/gmj