LOUISIANA'S TAX SYSTEM:

DISADVANTAGING THE EQUIPMENT RENTAL INDUSTRY

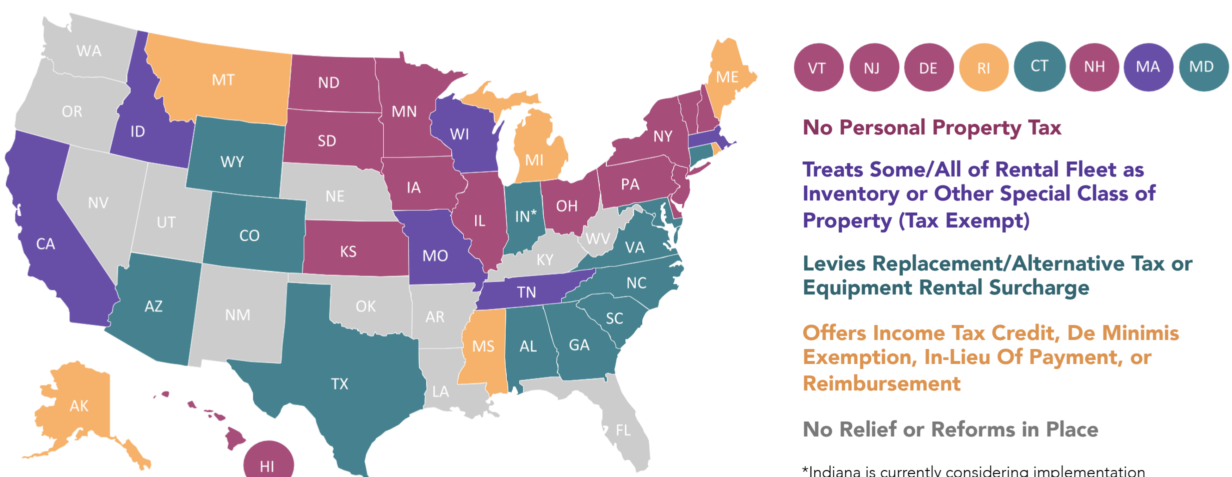
The equipment rental industry is at a disadvantage in Louisiana—more so than in any other state. The heavy equipment rental industry is unique in that each piece of equipment will ultimately be sold (meaning it is inventory for resale). In most states, the fleet is deemed inventory and exempt from business personal property taxes, or the state has some type of reforms in place to reduce or eliminate the burden of the tax.

This isn't the case in Louisiana. Several recently-enacted provisions directly harm the industry:

- In the 2015 regular session, Louisiana disallowed the industry from utilizing the inventory tax credit with HB 664 (while other industries can still claim the credit).
- In the 2016 special session, a new tax on the industry was imposed by eliminating the exemption against equipment purchased to be leased with HBs 61 and 62 (causing triple taxation under the sales tax).

LOUISIANA'S INVENTORY TAX: OUT OF STEP WITH OTHER STATES

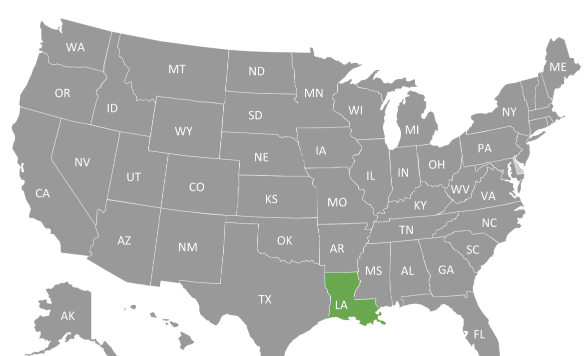
Louisiana is one of only 14 states that taxes business personal property and/or inventory and doesn't provide any other form of relief to taxpayers subject to this onerous and administratively expensive tax. Further, most states in the region are actively considering reforms, putting Louisiana even farther behind (Arkansas, Indiana, Kentucky, Oklahoma, West Virginia). States with no tax or reforms currently in place are denoted in color on the map below (see key for detailed explanations).



*Indiana is currently considering implementation of a replacement tax.

LOUISIANA: THE ONLY STATE THAT TRIPLE TAXES

In addition, Louisiana is the only state in which the same equipment is taxed three times before it is ultimately sold. Businesses pay sales tax when the equipment is first purchased for the purposes of renting it out. Second, sales tax is collected on the transaction when the equipment is rented to a customer. Finally, sales tax is collected when the equipment is sold.



BEFORE THE FIRST 2016 SPECIAL SESSION TAX INCREASES

Rental, leasing, and sales activity was treated the same for tax purposes. A five percent tax was levied on the final transaction, when the equipment moved from the retailer or rental dealer to the final consumer. No tax was levied when the equipment moved from the manufacturer to the retailer or the rental dealer.

Tax Treatment Before | **Heavy Equipment Retail Transactions**

Tax Treatment Before | **Heavy Equipment Rental Dealers**

AFTER THE FIRST 2016 SPECIAL SESSION

Rental, leasing, and sales activity are treated differently for tax purposes, even though they are engaging in the same activity and are direct competitors. A five percent tax is still levied on the final transaction, when the equipment moves from the retailer or the rental dealer to the final consumer. **Additionally, a tax is levied on the same equipment when it moves from the manufacturer to the rental dealer.** The equipment is double taxed, putting heavy equipment rental dealers at a competitive disadvantage.

Tax Treatment After | **Heavy Equipment Retail Transactions**

Tax Treatment After | **Heavy Equipment Rental Dealers**