

Louisiana Forward Tax Reform

Modernizing and Simplifying Louisiana's Sales Tax Code

October 8, 2024

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Current Law- Sales Tax

- Current State Sales Tax Rate: 4.45%
 - Currently, 4.42% goes to the state
 - .45% will expire June 30, 2025
 - .03% state sales dedicated to the Louisiana Tourism Promotion District
- Louisiana has approximately 225 state sales tax exemptions and exclusions
 - Of the 225 exemptions and exclusions, 60 are currently suspended and not in effect
- Numerous variations of exemptions and exclusions are unaligned between the state and locals resulting in a disjointed tax base

Proposed Tax Reform- Sales Tax Clean-Up

- Mandates the exemptions for prescription drugs and manufacturing machinery and equipment at the local level
- Moves exemptions out of the definition section (R.S. 47:301) into various exemption provisions
- Re-directs .03% of sales tax collected to State General Fund and provides for a dedication to the Louisiana Tourism Promotion District
- Makes the partial sales tax exemption on business utilities permanent and maintains current sales tax rate permanently
- Consolidates related exemptions for the following categories:
 - Medical
 - Agricultural
 - Manufacturing machinery and equipment
 - Schools and educational materials
 - Intergovernmental and government
- **Estimated Fiscal Impact: + \$840M-\$860M**

Current Law- Sales Tax on Digital Products

- Current law as it relates to taxation of digital products is unclear
- Digital products is a new challenge facing tax administrators across the country, as previously taxable, tangible personal property transactions increasingly become digital products
- Currently, some digital products are taxed due to voluntary remittance by vendors
- Due to the lack of definitions of digital products in law, many transactions go untaxed

Proposed Tax Reform- Sales Tax Clean-Up

- Modernize the state and local sales tax base to encompass the taxation of digital products
- Sales of services expanded to encompass the “furnishing of a digital service,” including:
 - Prewritten computer software access services
 - Information services
- Sales of digital products:
 - Digital audiovisual works
 - Digital audio works
 - Digital books
 - Digital codes
 - Digital applications and games
 - Digital periodicals and discussion forums
- Sales tax applies when the taxpayer, acting as a consumer, views, accesses, downloads, possesses stores, opens, manipulates or otherwise enjoys, uses, or receives benefits of the digital product
- Provides for the administration of this base expansion, including an amnesty period for compliance
- **Estimated Fiscal Impact: + \$90M-\$120M**

Current Law- Sales Tax on Services

- Louisiana currently taxes 8 services at the state level
 - Sales of hotel rooms
 - Certain admissions
 - Storage and parking privileges by auto hotels and parking lots
 - Printing or overprinting, photostatting, etc.
 - Laundry, dry cleaning, pressing and dyeing services
 - Cold storage
 - Repairs to tangible personal property
 - Telecommunication services
 - Local exemption is mandated for telecommunication services

Proposed Tax Reform- Expanding Base to Services

- Provides that the sales of hotel rooms and other similar services by management companies, intermediaries, etc. are taxable services and that sales tax is due on the total charge, including any service and facilitator fees
- Provides that the sales of admissions include charges for participation in games and amusement activities and other entertainment, including coin-operated games and devices
- Clarifies that tax is due on the total charges including any service, facility, processing, delivery or other similar fees or charges
- Repeals the exclusion of radio and television audio and video programming services from taxation as telecommunication services
- Expands state and local tax base to 41 additional services, like Texas, North Carolina, Florida, and Kentucky
- **Estimated Fiscal Impact: +\$500-\$600M**

Services Taxed in Other States

Proposed Taxable Services	Texas	Mississippi	Kentucky	North Carolina	Florida
Lobbying			X		
Cable televisions and bundled cable services	X	X		X	
Information services	X				
Real property repair and maintenance	X			X	
Landscaping	X	X	X		
Janitorial	X		X		X
Pest control and extermination	X	X			X
Pet care – grooming, boarding, pet sitting, obedience training	X		X		
Photography and photofinishing	X	X	X		
Bodyguard	X		X		X
Security system monitoring	X	X	X		X
Private investigation	X		X		X
Road and travel services by automobile clubs			X		
Massage services	X (unlicensed)		X		
Prewritten computer software access services		X	X		
Car washes		X		X	

Broader Base, Lower Rates

States with a broader sales tax base cut income taxes

- In 2022, Kentucky significantly broadened its sales tax base to digital products and personal services
- The Personal Income Tax was reduced from 5% to 4.5%
 - Since then, revenues have increased and automatic rate reductions have occurred twice, reducing the rate to 3.5%
- In 2013, North Carolina broadened its sales tax base to more personal services
 - The Personal Income Tax was reduced from 7.75% to 5.75%
 - The Corporate Income Tax was reduced from 6.9% to 6%
 - Today, North Carolina has further reduced its personal income tax rate to 4.5% and the corporate income tax rate to 2.5%, set to reach 0% by 2030
- Texas and Florida, both with broad-based sales taxes, have never levied a personal income tax