HLS 15RS-409 REENGROSSED

2015 Regular Session

1

HOUSE BILL NO. 664

BY REPRESENTATIVE STOKES

TAX/INCOME-CREDIT: Defines" inventory" for purposes of the tax credit for ad valorem taxes paid on inventory

AN ACT

2	To amend and reenact R.S. 47:6006(C) and to enact R.S. 47:6006(E), relative to tax credits;
3	to provide for certain definitions; to provide for the amount of the credit; to provide
4	for renditions of inventory; to provide for an effective date; and to provide for related
5	matters.
6	Be it enacted by the Legislature of Louisiana:
7	Section 1. R.S. 47:6006(C) is hereby amended and reenacted and R.S. 47:6006(E)
8	is hereby enacted to read as follows:
9	§6006. Tax credits for local inventory taxes paid
10	* * *
11	C. For purposes of this Section, the following terms shall have the meaning
12	ascribed to them:
13	(1) The term "manufacturer" as used herein means a person engaged in the
14	business of working raw materials into wares suitable for use or which gives new
15	shapes, qualities, or combinations to matter which already has gone through some
16	artificial process.
17	(2) The term "distributor" as used herein means a person engaged in the sale
18	of products for resale or further processing for resale.
19	(3) The term "retailer" as used herein means a person engaged in the sale of
20	products to the ultimate consumer.

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	(4) The term "inventory" means the aggregate of those items of tangible
2	personal property that are held exclusively for sale in the ordinary course of business,
3	are currently in the process of production for subsequent sale, or are to physically
4	become a part of the production of such goods.
5	(a) "Inventory" shall include the following:
6	(i) Goods or commodities awaiting sale that include but are not limited to the
7	merchandise of a retail or wholesale concern, the finished goods of a manufacturer,
8	the commodities from farms, mines, and quarries, and goods that are used or trade-in
9	merchandise and by-products of a manufacturer.
10	(ii) Goods or commodities that are in the course of production.
11	(iii) Raw materials and supplies that will be consumed in the Louisiana
12	manufacturing process.
13	(b) "Inventory" shall not include the following:
14	(i) Oil stored in tanks held by a producer prior to the first sale of the oil, and
15	oil otherwise exempt from ad valorem taxation pursuant to the provisions of the
16	Constitution of Louisiana.
17	(ii) Items that would otherwise be considered inventory at any time
18	following the initial lease by the taxpayer of such items.
19	(iii) Items that would otherwise be considered inventory any time after the
20	taxpayer has commenced depreciating the item on the taxpayer's federal tax return.
21	(iv) Items that have been subject to use by the taxpayer when owned for
22	more than eighteen months.
23	(v) Items that are otherwise exempt from ad valorem taxation pursuant to the
24	provisions of the Constitution of Louisiana, including, goods, commodities, or
25	personal property stored in the state for use in interstate commerce as provided for
26	in Article VII, Section 21(D)(3) of the Constitution of Louisiana.
27	* * *
28	E. At any time after a finding of overvaluation or misclassification of
29	inventory for the purposes of this credit by audit or on appeal by the Board of Tax

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- Appeals or court that last reviews the matter, the secretary of the Department of
 Revenue may intervene in any proceeding related to the valuation or classification
 of property as inventory for which a credit will be claimed pursuant to this Section.

 Section 2. This Act shall become effective January 1, 2016 and shall be applicable
 - to all tax years beginning on and after January 1, 2016.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 664 Reengrossed

2015 Regular Session

Stokes

Abstract: Defines inventory for purposes of the inventory tax credit and authorizes the secretary of Dept. of Revenue to intervene in certain proceedings.

<u>Present law</u> authorizes an income or corporation franchise tax for ad valorem tax paid to political subdivisions on inventory held by manufacturers, distributors, and retailers and on certain natural gas. The amount of the tax is equal to 100% of taxes paid.

<u>Proposed law</u> defines "inventory" for the purpose of the credit to include certain items of tangible personal property that are being held for sale in the ordinary course of business, are in the process of production for subsequent sale, or are to become a part of the production of the good for sale.

<u>Proposed law</u> excludes from the definition of "inventory" certain oil that is stored in tanks, items that would be considered inventory following the initial lease of the item by the taxpayer, items for which depreciation has commenced for the purposes of a taxpayer's federal tax return, items that are subject to use by the taxpayer for longer than 18 months, and items otherwise exempt from ad valorem taxation pursuant to the La. Constitution.

<u>Proposed law</u> authorizes the secretary to intervene in any proceeding related to the valuation or classification of property as inventory for which a credit will be claimed pursuant to <u>present law</u> when there is a finding of overvaluation or misclassification of inventory in certain circumstances.

Effective Jan. 1, 2016, and for all tax years thereafter.

(Amends R.S. 47:6006(C); Adds R.S. 47:6006(E))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by <u>House Committee on Ways and Means</u> to the <u>original</u> bill:

- 1. Delete provisions of <u>proposed law</u> that changed the amount of inventory tax credit.
- 2. Specify that tangible property has to be held "exclusively" for sale in the ordinary course of business for the purposes of qualifying as "inventory".

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3. Delete provision of <u>proposed law</u> that authorized the secretary to require a taxpayer to file it's rendition of inventory with the parish assessor when there has been a finding of overvaluation or misclassification of inventory for purposes of the inventory tax credit.

The House Floor Amendments to the engrossed bill:

- 1. With respect to items excluded from the definition of "inventory", add the qualification that items that would be considered inventory following the initial lease of the item be items leased by the taxpayer.
- 2. With respect to items excluded from the definition of "inventory", change the limitation from an intervening or incidental use of an item by the taxpayer to any use by the taxpayer for longer than 18 months.