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## DIGEST

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HB 64 Original

2016 First Extraordinary Session

Montoucet

**Abstract:** Provides for the extent of state sales and use taxes on business utilities.

Present law imposes a 4% state sales tax on the sale, use, consumption, and storage of tangible personal property.

Present law excludes the following property from the tax base:

- (1) Sales of electricity for chlor-alkali manufacturing processes.
- (2) Pelletized paper waste used as combustible fuel by manufacturers.
- (3) Butane and propane.
- (4) Steam.
- (5) Water, other than mineral water, carbonated water, or water within a bottle or other receptacle.
- (6) Electric power or energy and any materials or energy sources used to fuel the generation of electric power for resale or used by an industrial manufacturing plant for self-consumption or cogeneration.
- (7) Natural gas.
- (8) All energy sources when used for boiler fuel, other than refinery gas.
- (9) Utilities used by steelworks, blast furnaces, coke ovens, or rolling mills.

Proposed law removes the exclusions listed above from the definitions for sales and use tax, and instead provides for a tax exemption for the same property.

Proposed law provides for the extent of the new exemption based on the Natural Gas Spot Price at Henry Hub (nominal dollars per million BTU) adopted by the Energy Information Administration and published in the Annual Energy Outlook report. For purchases of business utilities on or after April 1, 2016, through December 31, 2016, the price of natural gas used for purposes of the exemption shall be the price published in the February 2016 edition of the Annual Energy Outlook

report. For purchases of business utilities on and after January 1, 2017, the price shall be the price published in the Annual Energy Outlook report.

Proposed law establishes the following price thresholds for the extent of the exemption from state sales and use taxes:

- (1) No exemption if the price of natural gas is at or below \$6 per million BTU.
- (2) An exemption from the 1% tax imposed under R.S. 47:331 if the price is above \$6 and at or below \$7 per million BTU.
- (3) An exemption from the 1% tax imposed under R.S. 47:321 and the 1% tax imposed under R.S. 47:331 [total of 2%] if the price is above \$7 and at or below \$8 per million BTU.
- (4) An exemption from the 2% tax imposed under R.S. 47:302, the 1% tax imposed under R.S. 47:321, and the 1% tax imposed under R.S. 47:331 [a total of 4%] if the price is above \$8 per million BTU.

Proposed law specifies that the exclusion for butane and propane is applicable to residential use only.

Effective April 1, 2016.

(Amends R.S. 47:301(10)(x), 305(D)(1)(a)–(d), (g), and (h), and 305.51(A); Adds R.S. 47:305.72; Repeals R.S. 47:301(3)(j), (10)(c)(i)(bb) and (ii)(aa), (n), (z), and (bb), (13)(m), and 18(l))