

Revenue Information Bulletin
No. 09-017-A
July 8, 2009
Sales Tax
Frequently Asked Questions
Annual Louisiana Sales Tax Holiday

1. What is a “sales tax holiday”?

A “sales tax holiday” is a temporary period when sales taxes are not collectible or payable on all or a specific class of purchases. Louisiana Revised Statute 47:305.54 authorizes a “sales tax holiday” on the first consecutive Friday and Saturday of each August. The dates of the 2009 holiday are Friday, August 7, and Saturday, August 8, 2009.

2. What can I buy tax-free during the holiday?

An individual non-business purchaser can make state sales tax-free purchases of virtually all types of tangible personal property during the holiday except vehicles that must be licensed and titled, prepared meals, and to-go foods, provided that the price of any individual item purchased does not exceed \$2,500. For items that sell for more than \$2,500, the state sales tax must be paid on the amount above the \$2,500.

3. Can I make sales tax-free purchases of alcoholic beverages and tobacco products during the holiday?

Yes. R.S. 47:305.54 does not exclude those categories of products from tax-free purchase.

4. Besides vehicles, meals, and to go-foods, is there anything else that I cannot buy tax-free during the holiday?

In addition to the specific exclusions in the Act for vehicles and meals, the state sales tax holiday will not apply to purchases of taxable services (hotel occupancy; amusement, recreational, and athletic admissions; repairs to tangible personal property; laundry, cleaning, pressing, and dyeing services; vehicle parking; the furnishing of cold storage space; printing services; and telecommunication services) nor to leases or rentals of tangible personal property.

5. I am not a resident of Louisiana. Can I make tax-free purchases during the holiday period?

Yes. However, when the tangible personal property that is purchased without the payment of sales taxes in Louisiana is exported for use in other states, use taxes might be payable on those purchases to the other states where the purchased items will be used.

6. Does the holiday give me a tax break on local taxes?

Generally, no. R.S. 47:305.54 provides that the sales tax holiday applies only to the state sales tax, currently levied at the rate of 4 percent of the sales price of most items of tangible personal property.

Revised Statute 47:337.10(L), however, provides that a political subdivision of the state located in a parish with a population between 45,000 and 48,250, according to the most

recent federal decennial census, is authorized by ordinance to conduct a sales tax holiday to apply to the same purchases and at the same time provided in the state sales tax holiday statute. The Parish of St. Charles is the only parish in this population range, according to the 2000 federal census.

7. What must I do in order to receive the exemption on the 4 percent state sales tax?

In order to receive the tax exemption, the customer must do one of the following:

- Must purchase and accept delivery of eligible property;
- Must place property on layaway;
- Must pay for and acquire possession of property that was previously placed on layaway; or
- Must place and pay for an order for immediate shipment, even if delivery must be delayed. However, the delay in delivery must not be at the request of the purchaser.

8. My vendor does not have what I want in his in-store inventory, so he must order the item for me. Can I receive the tax exemption on that item?

If during the two days of the annual holiday, the customer selects and pays for or fully finances an item that is scheduled, at the time that the order is placed, for immediate delivery to the customer from the vendor's or the vendor's supplier's inventory, the purchase will be eligible for the tax exemption, even if delivery cannot be completed until after the days of the holiday. In such a case, the vendor will be required to record the sale in his accounting records as having been made during the days of the holiday, and report the transaction on state and local sales tax returns that are filed for the August holiday period.

When a vendor places a special order for a customer that must be custom-made or manufactured for future delivery after the holiday, the merchandise will not be considered as available for immediate delivery, and the transaction will not be eligible for the holiday sales tax exemption.

Additionally, if during the holiday a customer makes a deposit on, but does not fully pay for or finance an item of tangible personal property that will be delivered to the customer after the holiday, the transaction will not be eligible for exemption, unless the transaction is a layaway where the vendor will physically segregate property in his inventory for future delivery to the customer.

9. Does my business have the option of whether to participate in the "sales tax holiday"?

No. Every business that sells in Louisiana during the two days of the holiday must allow the state sales tax exemption on eligible sales of tangible personal property.

10. How do I claim a deduction on my sales tax return for the tax-free sales that I make during the holiday?

Line 24 of the state sales tax return form is provided for the deduction of these sales.

11. Will I receive any compensation for the cash register programming changes that I must make to properly record the exempt sales made during the holiday?

Act 386 of the 1990 Regular Session of the Louisiana Legislature provides that dealers who incur costs to reprogram cash registers, including computer programming, as a result of a change in the state sales and use tax rate or base shall be allowed credits on their sales tax returns of up to \$25 for each cash register reprogrammed. Dealers are allowed to claim credit only for reprogramming costs invoiced to them by external providers of services, but not for internal reprogramming services rendered within their businesses by such internal persons as owners, officers, partners, or employees.

More details concerning this credit are available on the Louisiana Department of Revenue's web site at <http://www.revenue.louisiana.gov/forms/lawspolicies/RIB03009.pdf>.

12. How do I handle exchanges and returns after the holiday?

The post-holiday exchange of merchandise to effectuate changes in size, color, or correction of defects does not create a tax liability, but exchanges after the holiday for dissimilar items will be considered the purchase of new property on which the sales tax will be payable.

For a 60-day period after the holiday, dealers who issue refund or credit for the return of merchandise that was eligible for sales tax exemption during the holiday can issue refund or credit for the state sales tax on that returned merchandise only if the customers returning the property have receipts showing that the tax was actually paid on the original purchases, or the dealers are otherwise able to document that the state sales tax was paid on the original purchases.