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Revenue and Taxation

Thomas A. Harrell* and Robert L. Roland**

The 1958 session of the Legislature saw many changes made in the field of revenue and taxation, although only one significant tax increase was voted.1 Only measures believed to be of statewide interest are covered in this article; legislation creating a new port and additional levee and school districts with attendant powers of taxation,2 extending homestead tax exemptions to Cameron Parish 'rehabilitation' bonds,3 increasing the sweet potato tax,4 levying a strawberry tax,5 changing various insurance taxes,6 providing for the funding of local sales taxes,7 and changing the distribution of the proceeds of the tobacco tax,8 is mentioned only in passing.

Administrative Changes

One of the most important parts of Louisiana's laws on revenue and taxation is found in the chapter on administrative provisions.9 Six changes were made in this chapter by the 1958 Legislature. One involved rules and regulations.10 Although the Collector has long had the authority to promulgate rules and regulations, the law was silent as to the method of promulgation to be used. This amendment provides that promulgation is accomplished by making a copy available for inspection at the Collector's office in Baton Rouge and by publishing a notice to this effect in the official state journal at least three times during a ten-day period. Another amendment11 authorizes the Collector

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3. LA. Acts 1958, No. 46.
to compromise certain tax claims. Although this authority is carefully limited, it appears to be of doubtful validity in the face of the express language of Article IV, Section 13, of the Louisiana Constitution of 1921 which reads as follows:

"The Legislature shall have no power to release or extinguish, or to authorize the releasing or extinguishment, in whole or in part, of the indebtedness, liability or obligation of any corporation or individual to the State, or to any parish or municipal corporation thereof; provided, the heirs to confiscated property may be released from all taxes due thereon at the date of its reversion to them."

The wilful failure to file any return, with intent to defraud, becomes the fifth means of interrupting prescription as a result of Act 167 of 1958. Any limitation on the length of time for which written agreements suspending prescription may be made was also removed by this act. Act 439 of 1958 eliminated the need for notarizing a statement requesting the waiver of penalties for failing to file a tax return timely and gave the Collector authority to approve such requests without Board of Tax Appeals concurrence if the penalty involved does not exceed $250.00. Prior to this change such authority was limited to penalties involving not more than $50.00. Section 1625 of Title 47 was amended to make clear that the taxpayer's right to appeal from the Collector's action on a claim for refund does not expire until 60 days after notification. A new section was added to Title 47 imposing a five per cent negligence penalty with a $10.00 minimum where the failure to make a proper tax return is due to wilful negligence or intentional disregard of rules and regulations but without intent to defraud. Applicable to all taxes, this new provision is quite similar to the negligence penalty provided in the income tax statute prior to the adoption of the Revised Statutes.

Act 375 of 1958 must also be considered in any discussion of changes to the administrative provisions of Title 47. This act permits the use of certified mail in lieu of registered mail

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12. These safeguards are provided: (a) Only judgments and assessments are covered. (b) The claim must have been outstanding more than 3 years. (c) No payments shall have been made on the claim during the 18 months preceding the compromise. (d) The Board of Tax Appeals must concur in the Collector's determination that the compromise is in the best interests of the state. (e) Records of all compromises must be kept and shall be open to public inspection.
15. La. Acts 1934, No. 21, § 91(a), as amended.
wherever registered mail is required, and is of particular importance in connection with the assessment procedure provided by R. S. 47:1561 and following.

AD VALOREM TAXES

Parishes and wards of parishes are now authorized to levy a one-mill tax for the support of public cemeteries, if approved by a majority of the property taxpayers involved, both in number and assessed valuation.\(^{16}\) Property located upon the public property of a port authority or upon the docks of a common carrier is now expressly declared not subject to ad valorem taxation.\(^{17}\)

A tax not to exceed three mills may be levied by a parish, ward, or municipality for the creation and operation of a home for senior citizens if a majority of the property taxpayers involved, both in number and assessed valuation, approves.\(^{18}\) Identical provisions are contained in Act 556, which is to be submitted to the people as a constitutional amendment in November.

Act 532 should be of interest to those involved in title examinations. Under its terms, all tax redemptions made prior to August 1, 1954, by payment of money to the sheriff of the parish in which the redeemed property is located are ratified. The effect of this act is somewhat uncertain, since it pertains to property sold to third persons for non-payment of taxes; and if the redemptions referred to were not properly made, it is doubtful that the state could now ratify them, since this would have the effect of divesting the tax purchasers of their titles.

Two proposed constitutional amendments are also of interest. Act 538 would extend double benefits in the field of homestead tax exemptions to persons who served in both World War II and Korea. Under present provisions of the Constitution persons serving in World War II, or in Korea, may claim up to $5,000 in homestead exemptions for a period of five years, with the right to the exemption beginning with the year 1947 and ending with the end of 1964.\(^{19}\) Act 538 would give persons who had served in both World War II and Korea, a ten-year exemption, with the right to the exemption expiring at the end of 1969. If a veteran has already received a five year exemption, he would


be eligible for only an additional five years. As at present, the privilege would be extended to certain beneficiaries of the veteran. Act 562 would give the people a chance to reverse their action in defeating an identical proposal of 1956.20 This proposal would exempt “machinery and equipment used exclusively for agricultural purposes, consistent with present mechanized farm operations.” As written, the amendment would remove the present $500.00 limitation to the exemption provided for agricultural implements and would apparently also remove the present exemption for farm buildings since “farm improvements” would no longer be included.

CORPORATION FRANCHISE TAX

Act 437 of 1958 accomplished two major changes in the corporation franchise tax21 effective for taxable years beginning after December 31, 1958. The first change involved the amendment of R.S. 47:609 and makes the return due for the annual accounting period rather than the calendar year, and payable on or before the 15th day of the fourth month following the 1st month of the annual accounting period, rather than the 1st of October. This, of course, makes the time for filing of the franchise tax return and payment of the tax coincide with that provided for the income tax, except that franchise taxes may not be paid in installments. A report ‘containing such information as the Collector may require’ has been substituted for the detailed information formerly required by R.S. 47:609. Provision was also made for every taxpayer that now computes its corporation franchise tax liability on the basis of a fiscal closing date to file a return for the short period from January 1, 1959, to the first fiscal year closing date. This return will be due at the same time as the return for the first full fiscal year, and the tax liability will be determined for the short period on a prorated basis. Similar provision was made for instances where permission is granted to change the corporate accounting period. The second change involved the amendment of R.S. 47:608 to exempt certain corporations from the payment of the tax with the net effect that the exemptions for franchise and income tax purposes are now substantially identical. Act 437 also made several changes of a minor nature. The phrase “or owning or using

any part or all of its capital or plant in this state” was removed intact from R.S. 47:609 and placed in R.S. 47:601, thus making it clear that to be liable for the tax a corporation need not be “doing business” in the state in the traditional sense if, in fact, it owns or uses any part of its capital here. Returns need no longer be notarized and the language previously found in R.S. 47:612 concerning delinquency, protest, review, or appeal when an extension for filing a return is granted was omitted as being adequately covered in R.S. 47:1514. In light of these changes, R.S. 47:610 was repealed.2

Also of interest is Act 529 of 195823 which provides that a corporate name may be the same as, or similar to, the name of an existing corporation if such corporation has failed to pay its corporate franchise taxes for the preceding consecutive five years.

**GAS GATHERING TAX**

Act 8 of 1958 was the only significant tax proposal able to overcome the two-thirds rule.24 This act added four sections to Title 47. Section 678 levied, for a period of two years, an additional license or privilege tax upon persons engaged in the business of gathering gas with the rate of tax being fixed at 1¢ per 1,000 cubic feet. Section 679 is identical with the exemption section25 of the law imposing the original 1¢ tax with one exception — paragraphs (a) and (b) have been added to subsection (3), thereby providing an exemption for casinghead gas and certain oil well gas requiring artificial compression to render it salable. This additional language presumably was intended to provide some relief for marginal wells. In this connection, the Department of Revenue on July 28, 1958, promulgated a comprehensive regulation,26 defining oil well gas, providing for the point of measurement, and otherwise implementing these provisions. Section 680 simply provides for the distribution of the tax, while Section 681 provides that the general provisions of Part III of Chapter 3 of Title 47 (1¢ GAS GATHERING TAX) shall also be applicable to the additional 1¢ tax.

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26. GGR 58-1.
INCOME TAX

The most extensive revisions of the Louisiana income tax since its enactment in 1934 were made by the 1958 Legislature. Most of the changes were designed to bring the state law into accord with the Internal Revenue Code of 1954. However, there were other substantive provisions adopted which are not related to the federal tax. Foremost among these were the elimination of the exemption from tax of the gain from the sale or exchange of capital assets located outside the state, the liberalization of the credit given to resident individuals and domestic corporations for income taxes paid other states, the change in classification from apportionable to allocable income of the profits from the sale of property made, other than in the ordinary course of business, by a foreign corporation or nonresident individual, and a provision making it clear that the basis of property converted from personal to business use may not exceed its cost or other basis at the date of conversion, even though the fair market value of such property is greater than such cost or other basis.

Act 442 repealed R.S. 47:49 and R.S. 47:106, pertaining to certain obsolete World War II hardship provisions. R.S. 47:248, permitting a foreign corporation not having any office or place of business in the state to have an additional month in which to file its return, was also repealed. This section also contained a provision denying foreign corporations any credit against their taxes for any tax paid on their net income from whatever source derived, and was included in the repeal of the section, although probably inadvertently. Since there is no provision of law giving such corporations a credit, the repeal will probably have no practical effect. The filing requirements for fiduciaries were also amended to make them conform with those of individuals by increasing the gross income requirement from $5,000.00 to $6,000.00.

The provisions which were enacted to bring the state tax into agreement with the federal are too numerous to cover in detail. Briefly stated, they are: Act 242 of 1958 which substan-

27. Chapter 1 of Subtitle I, Title 47, of the Louisiana Revised Statutes of 1950.
29. Ibid.
tially incorporated into the law the federal provisions dealing with deductions allowable in computing adjusted gross income, life insurance proceeds, employees' death benefits, employees' annuities, annuities, alimony, the optional standard deduction, the definitions of a dependent, taxable years, joint returns, involuntary conversions, amounts received in accident and health plans, wages benefit plans, and contributions by employers to such plans; Act 441 of 1958 which adopted the federal provisions pertaining to partnerships; and Act 442 of 1958 which achieved substantially the same result with respect to the sections dealing with corporation reorganizations, non-recognition of gain or loss in sales or exchanges, and related subjects. Although generally conforming to the federal law in content, the provisions in each of the acts mentioned, in some cases, contain important modifications not found in the federal act. In addition, Act 442 condenses considerably the corporate reorganization provisions and entirely omits some of the sections contained in the federal act. Perhaps the most important of these is the omission of a counterpart of Section 337 of the Internal Revenue Code of 1954 permitting the sale of substantially all the assets of a corporation without recognition of gain to the corporation if it is completely liquidated within one year of the sale.

In at least two instances, the state's efforts to bring its law into agreement with the federal were thwarted by the action of the last Congress. However, the changes enacted into the federal law relative to the aggregation of mineral interests were much more extensive than those anticipated in the amendment of Section 153 of the law. On the other hand, the section dealing with the definition of dependents was copied from the then existing Internal Revenue Code, and minor changes enacted by the last Congress were not anticipated so that now some slight difference exists with respect to the persons who would be entitled to the dependency exemption under the federal and state laws.

Inheritance and Gift Taxes

The provisions of the inheritance tax setting forth the rates of the tax and exemptions were modified to make it clear that

37. Chapter 1 of Subtitle IV, Title 47, of the Louisiana Revised Statutes of 1950.
the exempt amount in each case is not to be deducted from the first bracket of the tax but, in effect, is to be deducted from the highest bracket.\textsuperscript{38} The gift tax\textsuperscript{39} was amended to provide that a return must be filed by every person making gifts or receiving gifts totaling more than the amount of the applicable annual exclusions;\textsuperscript{40} however, the rates of the tax and the exemptions were not changed so that the gift and inheritance tax rates are now, for the first time, different. For example, in the case of a gift to a direct descendant in the amount of $25,000.00, the gift tax would be computed at the rate of two percent of the first $15,000.00 in excess of applicable exemption of $5,000.00, and at three percent on the balance, making a total tax of $450.00, whereas the inheritance tax on the same amount would be computed at the rate of two percent on the first $20,000.00 in excess of the applicable exemption and the tax in such case would be $400.00.

**Occupational License\textsuperscript{41} and Chain Store Tax**

Under Act 268 of 1958,\textsuperscript{42} pawnbrokers will pay an occupational license tax based upon “the annual average of the capital in actual use in the business” instead of upon “the actual cash in use in the business.” The graduated scale remains the same and the act is silent as to how the “annual average” is to be determined. Persons writing bail bonds, appearance bonds, or similar bonds for a fee must now pay an occupational license tax ranging from $5.00 to $7,500.00.\textsuperscript{43} The tax applies although only an occasional bond may be posted and a $100.00 fee must also be paid to the clerk of court of the parish in which the business is domiciled.

The chain store tax was amended to exempt gasoline filling stations without regard to the value of the average daily stock of gasoline, motor oil, or automobile accessories.\textsuperscript{44} The first clause of Section 1123 of Title 47 was also amended, apparently in an effort to eliminate any argument that this section did not,

\begin{thebibliography}{99}
\bibitem{38} L\textsuperscript{A.} R\textsuperscript{S}. 47:2403 (Supp. 1958), as amended by La. Acts 1958, No. 533.
\bibitem{39} Chapter 14 of Subtitle II of Title 47 of the Louisiana Revised Statutes of 1950.
\bibitem{40} L\textsuperscript{A.} R\textsuperscript{S}. 47:1208A (Supp. 1958), as amended by La. Acts 1958, No. 185.
\bibitem{41} Chapter 3 of Subtitle II of Title 47 of the Louisiana Revised Statutes of 1950.
\bibitem{42} Amending L\textsuperscript{A.} R\textsuperscript{S}. 47:350 (1950).
\bibitem{43} L\textsuperscript{A.} R\textsuperscript{S}. 47:391.4 (1950), as amended by La. Acts 1958, No. 500.
\bibitem{44} Chapter 12 of Subtitle II of Title 47 of the Louisiana Revised Statutes of 1950. L\textsuperscript{A.} R\textsuperscript{S}. 47:1123 (1950), as amended by La. Acts 1958, No. 530.
\end{thebibliography}
technically speaking, provide an exemption from taxation which must be strictly construed.

SALES TAX

Two bills concerning sales tax were passed, although only one became law. House Bill 692, which granted tax relief to the shipbuilding industry, was vetoed by the Governor. The other amended Section 306.1 of Title 47, which provides a formula for determining the sales tax liability of interstate and foreign carriers. Prior to the amendment, such carriers reported and paid sales tax on only a portion of their Louisiana purchases and imports — the portion taxable being represented by the ratio of Louisiana miles to total miles. Under the change, any carrier using the optional method of reporting must include all purchases wherever made as well as Louisiana imports. The ratio to be used remained unchanged. The amendment is applicable only to the tax imposed by R.S. 47:302A (sales and use as opposed to rental and services).

SOFT DRINKS AND TOBACCO TAX

Several changes were made to the soft drink tax law. The tax is now measured by the wholesale selling price rather than by the retail selling price as was the case prior to Act 57 of 1958. That act also defines “wholesale selling price” as the ordinary, customary, or usual price received by the dealer for the taxable article without regard to tax. The practical effect of this change is to allow an increased retail selling price without a corresponding increase in the amount of soft drink tax due.

Act 241 of 1958 amended Sections 883, 885, and 890 of the soft drink tax law, with the most important change being made in permit requirements. Retail permits, formerly required of all retail dealers handling soft drinks, are now required only of such dealers handling non-tax paid soft drinks. Since all bottled soft drinks are tax paid at the source, the practical effect of this amendment is to eliminate the permit requirement at the retail level except in the case of soda fountains. The permits are now

45. Chapter 2 of Subtitle II of Title 47 of the Louisiana Revised Statutes of 1950.
47. Chapter 9 of Title 47 of the Louisiana Revised Statutes of 1950.
49. Id. 47:883, 885, 890.
issued on an annual basis at a cost of $1.00, and penalties are provided for late filing.\textsuperscript{50} Report requirements for wholesale dealers were modified, but retail dealers handling non-tax paid soft drinks must now file monthly tax reports similar to those filed by wholesale dealers.\textsuperscript{51}

Five sections of the Revised Statutes dealing with the tobacco tax were amended.\textsuperscript{52} Section 438 was amended to include definitions for "vending machines" and "vending machine operators," and to add vending machines to the definition for "place of business." Section 843 now allows the Collector to enter into reciprocal agreements with the tax authorities of border states whereby wholesale dealers in such states who serve Louisiana retail dealers may purchase Louisiana tax stamps with benefit of the nine percent discount if such other states permit Louisiana dealers similar privileges. Formerly, Louisiana stamps could be sold at discount only to Louisiana dealers.\textsuperscript{53} In apparent recognition that a four-year permit is hard to police, Section 844 was amended to provide for annual permits issued for a $1.00 fee. Penalties for late filing are established. Vending machine operators are now required to keep complete records\textsuperscript{54} and each vending machine must now bear an identifying marker issued by the Collector.\textsuperscript{55} The One White Tractor case\textsuperscript{56} was overruled by amendment of Section 863 to provide that lack of knowledge or lack of participation in the violation on the part of the owner of a vehicle shall not be a defense in a forfeiture proceeding involving vehicles used in illegal transportation of tobacco products.

**VEHICLE REGISTRATION LICENSE TAX**

Five changes were made in the vehicle registration tax law.\textsuperscript{57} Section 462A (5) of Title 47 was amended to make it clear that only vehicles domiciled within the corporate limits of a city, town, or village, and operating within a specified area thereto, are eligible for Class 5 license plates (city use).\textsuperscript{58} The domicile of such vehicles must now be shown on the registration cer-
tificate. Section 477 of Title 47 was amended to provide that the Division of State Police assign and stencil serial numbers on trailers having no such number. Section 482 was added, which allows an interchange trailer, duly registered in any state, to be operated in Louisiana without registration provided it is pulled by a tractor duly licensed and registered in Louisiana. Section 509B, as amended by Act 403 of 1958, now makes mandatory the transfer of registration and license plates with the vehicle when a motor vehicle is transferred. Two exceptions are provided. The owner of certain vehicles for which a license in excess of $10.00 has been paid may, when the vehicle is destroyed or permanently withdrawn from service, retain the registration and plates, and transfer them to a replacement vehicle. The owner of a vehicle registered as a common or contract carrier is still required to retain the registration and license plate. Prior to the amendment, R.S. 47:509B gave owners of trucks, tandem trucks, semi-trailers, tandem semi-trailers, trailers, buses or coaches, the option to retain the registration and plates if the vehicle was not registered as a common or contract carrier. Section 538 was amended to eliminate the need for a district court trial of vehicle registration violations; under the amendment, trial may be had in any court having jurisdiction of the amount or offense involved.

Also of interest, although not basically a taxation measure, is Act 74 of 1958, which regulates the business of sales finance companies. The act provides for the issuance of licenses by the Motor Vehicle Commission; the denial, suspension or revocation thereof; the investigation of complaints; broad powers of administration; and in great detail, sets forth the method of doing business as a sales finance company handling the financing of motor vehicles.

**MISCELLANEOUS TAXES**

The beer permit law was amended to eliminate the manda-

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65. Id. 6:954.
66. Id. 6:955.
67. Id. 6:955.
tory 35-day waiting period previously required by R.S. 26:278; such permits may now be issued immediately after investigation but remain probationary for 35 days.68

The reports on which the distribution of the PARISH ONE-CENT GASOLINE FUND69 is made must now be filed by the wholesaler;70 formerly, such reports were filed by retail dealers.71 Parishes may still require such dealers to file reports under Section 1 of Act 181 of 1958.

Sections 773 and 774 of Title 47 were amended to make it clear that petroleum products' bonds must be in an amount not less than the average monthly taxes during the preceding twelve months.72 Prepayment of taxes is now permitted in order to reduce the amount of bond required.73 Section 784 was amended to provide that the Collector could regulate or prohibit nighttime transportation of petroleum products;74 prior to amendment, this section prohibited such transportation but permitted the Collector to allow such transportation by regulation. Section 786 was amended to eliminate certain information formerly required of transporters of petroleum products; under the amendment, such transporter, if a bonded dealer, need only have written evidence disclosing the origin and quantity of the taxable products being transported and, where possible, certain delivery information.75

Workmen's Compensation

Wex S. Malone*

Hazardous Employments

Only one amendment to the substantive compensation law was made during the past legislative term;1 but this single change was significant: Compensation insurers are estopped by the amendment to deny the hazardous character of the employment that they have insured. This appears to be a wise and prac-

68. Id. 26:278, as amended by La. Acts 1958, No. 186.
69. Id. 47:727.
71. Id. 47:722.
74. Id. 47:784, as amended by La. Acts 1958, No. 434, § 3.
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