Louisiana
Tax Topics
Department of Revenue and Taxation
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The mission of the Louisiana Department of Revenue and Taxation is to serve the citizens of Louisiana by efficiently collecting the state's tax revenue in a manner that will generate the highest degree of public confidence in our integrity and fairness.

Severance tax suspended on production from certain wells

Act 2 of the 1994 Regular Session of the Louisiana Legislature amended and reenacted Revised Statute 47:633 to suspend the severance tax on the production of oil and gas under certain conditions. This act suspended the severance tax on production from approved stripper wells, horizontal wells, deep wells, new discovery wells, and inactive wells.

The proper authority must approve the wells before suspension of the severance tax will be granted. The Office of Conservation of the Department of Natural Resources has authority over horizontal wells, deep wells, new discovery wells, and inactive wells; the Severance Tax Division of the Department of Revenue and Taxation has authority over stripper wells. Reporting forms are now available for approved horizontal wells, deep wells, new discovery wells, and inactive wells.

Anyone claiming a suspension for approved horizontal wells, deep wells, new discovery wells, or inactive wells must file Form SEV O-5 for oil and Form SEV G-5 for gas, along with the regular severance tax return (O-1d for oil and G-1d for gas). Failure to file the appropriate form can affect the taxable status of your wells. Certified stripper wells should continue to be reported on Form SEV O-3.

Forms are available from the Severance Tax Division upon request. If you need forms or have any questions, please call (504) 925-7500. ■

Credit for purchase of qualified recycling equipment

This income tax credit is available to any taxpayer who purchases qualified recycling equipment and receives certification from the Department of Environmental Quality. Qualified recycling equipment is new machinery or a new apparatus used exclusively to process post-consumer waste material, recovered material, or both. It also includes manufacturing machinery used exclusively to produce finished products composed of at least fifty percent post-consumer waste material, recovered material, or both. To qualify for the credit, recycling equipment must be purchased between September 1, 1991 and December 31, 1996, and must be used exclusively within this state.

The total allowable credit is twenty percent of the cost of the recycling equipment, less the amount of any other tax credits

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Natural Gas Severance Tax Rate determined for July 1, 1995 through June 30, 1996

The Department of Natural Resources has determined, under the authority of Revised Statute 47:633(9)(d)(i), the "gas base rate adjustment" for the twelve-month period ending March 31, 1995, to be .9478. When this factor is multiplied by seven cents, the result is less than the seven cents per MCF minimum provided for in the statute. Accordingly, the Department of Revenue and Taxation has determined the severance tax rate on natural gas and related products described in R.S. 47:633 (9)(a) to be seven cents per thousand cubic feet measured at a base pressure of 15.025 pounds per square inch absolute and at the temperature base of sixty degrees Fahrenheit, effective July 1, 1995. The reduced rates provided for in R.S. 47:633(9)(b) and (c) remain the same.

Revised reporting forms will be distributed as soon as available. Questions should be directed to the Severance Tax Division at (504) 925-7500. ■

Calculating Net Operating Loss

Net Operating Loss simply stated is the excess of allowable deductions over gross income computed under the law in effect for the loss year with the required adjustments.

The net operating loss carryback or carryover is generally that part of the net operating loss that has not previously been applied against income for the other carryback or carryover years.

In general, a net operating loss can be carried back three years. A net operating loss is first carried back to the third year before the net operating loss year. If not entirely used to offset income in that year, it is carried to the second year preceding the loss year. Any remaining amount is then carried to the tax year immediately preceding the loss year. If the taxable income for the three preceding years is not sufficient to absorb the entire loss, any remaining loss is first carried to the year immediately following the loss year, then to the second year following the loss year, and so on for 15 years or until the loss is used up. No deduction is allowed in the year the loss is incurred.

A taxpayer entitled to a carryback period for a net operating loss may elect to forgo the entire carryback period. If the election is clearly made, the loss may be carried forward only.

Residents are taxed in the same manner as on the federal return. Whatever is done for federal purposes must also be done for state tax purposes.

Nonresidents who have incurred Louisiana losses beginning with the 1983 tax period can carry forward these losses for 15 years or until the loss is used up. Losses incurred beginning with the 1986 taxable year can be carried forward for 15 years or carried back for 3 years until the loss is used up. Nonresidents must document the Louisiana losses by filing a Louisiana individual income tax return.

Revised Statutes 47:246 and 47:287.86 govern net operating losses. Prescription of refunds or credits where the refunds/credits relates to an overpayment attributable to a net operating loss deduction is governed by R.S. 47:1623. ■

Recycling *continued*

received because of the purchase of the equipment. The amount of credit allowable in the year of the purchase is twenty percent of the total allowable credit, limited to fifty percent of the tax liability that would otherwise be due. The credit allowable on each succeeding tax return is twenty percent of the total allowable credit, limited to fifty percent of the tax liability, until the total allowable credit is exhausted. Any credit not used because of the fifty percent limitation may be carried forward until utilized in full.

Should the qualified recycling equipment be sold or exchanged before the entire credit is used, the portion of the credit otherwise allowable for that tax period may be claimed. Any unused credit is cancelled for future periods.

Revised Statute 47:6005 provides for this credit and defines "post-consumer waste material", "recovered material", "secondary waste material", and "qualified recycling equipment". For further information, contact the Income and Corporation Franchise Taxes Division at (504) 925-4611. ■

Baton Rouge – Main Office

Central Registration	504•925•7318
Collection	504•925•7448
Excise Taxes	504•925•7656
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Lake Charles	318•491•2504
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New Orleans	504•568•5233
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Credit for contributions to educational institutions

Taxpayers who donate, or sell below cost, new or used computer equipment to educational institutions located in Louisiana are allowed a credit of 40% of the value of the property, or in the case of a sale below cost, 40% of the difference between the price charged by the taxpayer and the value of the equipment.

Form R-3400 (available from the Department of Revenue and Taxation) is used to certify the value of the contribution. It must be completed by the donor and the supervisory board of the institution. The value of the contribution is claimed on Schedule A of the Louisiana individual income tax return.

Revised Statute 47:37 is primarily aimed at computer equipment, including software. However, other property "of a sophisticated and technological nature" may qualify and will be considered upon written request. All property donated, including computer equipment, must be used by the educational institution for research, research training, or direct education of students.

If new property is donated, the value of the property is the donor's cost, as evidenced by purchase receipt. If the donated property is used, the value is determined by an appraisal obtained by the educational institution. ■

Tax Topics is a monthly publication of the Louisiana Department of Revenue and Taxation. Information contained herein is of a general nature; taxpayers requiring information concerning a specific tax matter should contact the appropriate tax office. Subscription information may be obtained from the Research and Technical Services Division at the address below, or by calling 504•925•6047.

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