



Office *of the* Governor
JOHN BEL EDWARDS

CHALLENGES MET. PROGRESS DELIVERED.

Louisiana Department of Revenue, 2016–2023

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Introduction

Executive Summary from Secretary Kevin Richard

I am pleased to present this report on the Louisiana Department of Revenue's most significant accomplishments during the administration of Governor John Bel Edwards.

During this period, the staff and management team of LDR worked hard to implement policies to benefit Louisiana citizens. Our efforts as part of the governor's team ensured reliable funding for education, health care, public safety and transportation infrastructure, critical services that our residents need and have come to expect.

Notable achievements under Governor Edwards' legislative and administrative leadership include:

- Stabilization of state finances, facilitating the collection of more than \$74.6 billion dollars in tax revenues
- Reopening of, and restoration of full customer service to, the department's regional offices in Alexandria, Lafayette, Monroe, New Orleans and Shreveport after office closures and the scaling back of services due to budget cuts in 2012
- Implementation of the Louisiana Sales and Use Tax Commission for Remote Sellers, to collect taxes due on sales of goods delivered to Louisiana shoppers by online, out-of-state retailers
- Administration of the Frontline Worker Rebate program, which disbursed more than \$38 million in \$250 payments to 152,554 essential workers who powered Louisiana's economy through the initial COVID lockdown period in grocery, retail, healthcare and other critical sectors
- Distribution of \$10 million in grants to charities, faith-based organizations and small businesses through the Louisiana Nonprofit & Small Business Assistance Program, supporting entities providing food, employment and educational assistance programs to Louisiana communities affected by COVID-19
- Tax filing and payment extensions as relief for survivors of hurricanes, floods and other emergencies
- Aggressive interception of potentially fraudulent refunds, saving Louisiana taxpayers more than \$146 million

It has been the honor of the staff and management of the Louisiana Department of Revenue to support Governor Edwards in his mission of public service benefitting the people of Louisiana.

Progress Delivered

Legislation Successfully Passed

2016 - Two extraordinary sessions and a regular session

LDR implemented major legislative changes to various taxes due to budget cliff

- **Sales tax:** Most exemptions and exclusions were suspended. The last time any were suspended previously was in 2009. The sales tax rate also increased which had not been done since 1984. And limitations were placed on vendor's compensation. Not only did the department have to revise returns, instructions and educate taxpayers of the changes, it all needed to be done after the First Extraordinary session ended on March 9, 2016, and the bills took effect on April 1, 2016, and the second ended on June 23, 2016, and bills took effect on July 1, 2016. LDR achieved a milestone in updating returns and the tax processing system to be able to process the revised returns by the respective due dates of May 20, 2016, and August 20, 2016. This was a major change to the sales tax world that had never happened before. Along with the changes from the First Extraordinary session of 2016, LDR implemented a new way of reporting exemptions and exclusions on the return due to increased requests from the Legislature for data on exemptions and exclusions. Like kind exemptions and exclusions were grouped together and reported to LDR using codes. In prior years, most were reported on one line for "other deductions". This has allowed the department to provide more accurate data on the revenue loss for each exemption and exclusion.

- Other changes implemented from the First Extraordinary session effective on April 1, 2016:
 - Tobacco tax rate increase
 - Auto rental tax reinstated
 - Beer, wine & alcohol tax increase
 - Number of room limitation in definition of hotel was removed to include online hotel dealers. This was significant because it allowed Louisiana's tax code to catch up with the economy. The former definition of hotel required a minimum number of rooms. Now, the updated definition allows for vacation rentals that may occur in a residence, or may result in the renting of one single room. No longer is the taxable service of renting a "sleeping room" directly linked to the operation of a traditional hotel or motel.
- Changes implemented from the Second Extraordinary session:
 - The way interest on refunds was calculated changed effective for any refunds issued on or after September 1, 2016. This had not been done since we first implemented our tax processing system in 2001.
- Changes implemented from the regular session:
 - Inspection & Supervision rate change
 - Prepaid cell phone 911 fee change
 - Annual reporting requirement for remote dealers.
 - Requirement for a chart of Tax Exemptions by Classification in the Tax Exemption Budget.
- Income tax changes for 2016 tax year:
 - Expanded the definition of "domestic corporation" to include certain LLC for purpose of franchise tax.

2017 Regular Session

- **Act 150** – Authorizes the secretary to require the electronic filing of any tax return or report or payment of taxes by electronic funds transfer by rule adopted and promulgated in accordance with the Administrative Procedures Act instead of by statute. This allowed for low cost compliance and administration.
- **Act 211** - Requires the state chief procurement officer to obtain a tax clearance from LDR indicating that a prospective contractor for a procurement contract with the state that requires the approval of the central purchasing agency is current in the filing of all applicable tax returns and reports, and in payment of all taxes, interest, penalties, and fees owed to the state before approving the contract.
- **Act 375** - Sunsets the individual income tax credit for educational expenses incurred on or after January 1, 2017

2018 Regular Session

- **Act 86** changed the due date for the initial franchise tax return to coincide with the Franchise tax return.
- **Act 87** changed the frequency and due date of the Act 191 report from an annual report due by March 1 to a bi-annual report due by April 1 of each even-numbered year. The Act 191 report is a report submitted to the legislature by each agency administering a tax incentive, outlining the purpose and success of each incentive as well as the return on investment, other economic benefits and any unintended consequences. The Act also required the report to include additional information for tax credits that include a job creation component.
- **Acts 525 and 526**
 - Requires paid preparers to: sign any return, report, claim for refund, or other claim they prepare and provide their Preparer Taxpayer Identification Number, Federal Employer Identification Number or Louisiana Department of Revenue Account Number.
 - Authorizes the Secretary of Revenue to commence suit to enjoin any preparer from further engaging in specific conduct that interferes with the proper administration of the tax laws and further action as a preparer.
- **Act 610** Authorizes public institutions of higher education, when licensed, to conduct raffles

2019 Regular Session

- **Act 282** authorizes the commissioner of the Office of Alcohol and Tobacco Control to suspend or revoke a permit if the permit holder owes withholding taxes, Louisiana Stadium and Exposition District hotel occupancy taxes, Ernest N. Morial New Orleans Exhibition Hall Authority taxes, and taxes due the state for the sale of beverages of high alcoholic content, beverages of low alcoholic content, or tobacco.
- Implemented the tax on industrial hemp-derived CBD enacted by **Act 247** of the 2019 Regular Session
- Implemented the transportation network fee enacted by **Act 286** of the 2019 Regular Session

2021 Regular Session

- **Act 285** requires service recipients who are required to file Forms 1099-NEC with the IRS must file copies of any Forms 1099-NEC issued for services provided in Louisiana to the Department of Revenue. This incentivizes proper classification of workers as employees or independent contractors and incentivizes income tax reporting compliance by independent contractors
- **Act 287** authorizes a partnership to report and pay any taxes assessed either as a result of a federal adjustment arising from an IRS audit or other action by the IRS at the partnership level, rather than the partner level.
 - Changed the priority ordering of how credits are applied against tax liability.
 - The deadline for the payment and filing of corporation income tax returns and partnership tax returns was changed
 - Changed the apportionment formula for most industries to implement the single sales factor formula for CIFT.

2022 Regular Session

- **Act 429** provides additional tools to LDR for addressing tax preparer violations.
 - Gives LDR additional authority to protect taxpayers from preparers who engaged in certain conduct in violation of the tax laws.
 - Provides for additional penalties against certain preparers.
- **ACT 387** Provides relative to the authority of private nonprofit elementary or secondary schools and public elementary or secondary schools to conduct certain games of chance

Regulation and Policy Changes Implemented

2017

- LDR started preparing the Revenue Estimating Conference Incentives Forecast report, which sets forth the amount of incentive expenditures for each incentive administered by the Department, data regarding historical participation and expenditures and an estimate of incentive expenditures and is used.

2018

- First published Volume II of the Tax Exemption Budget which reports the exemptions by North American Industry Classification System sector and parish

2019

- Implemented the Pass Through Entity Ttax Election which allows an S Corporation or entity taxed as a partnership for federal income tax purposes to elect to be taxed as a corporation at the state level in order to avoid the \$10,000 state and local tax deduction cap imposed on individuals at the federal level.
- Adopted regulations requiring electronic filing of Tobacco Tax Returns to simplify administration of the tax and increase compliance

2020

- Implemented regulations for the Frontline Workers COVID-19 Hazard Pay Rebate Program. (See more in Challenges Met section) Implemented electronic filing for Industrial Hemp-Derived CBD Tax (now Consumable Hemp Tax)

Initiatives and Projects

2016–2017

- Individual income tax added to the Louisiana Taxpayer Access Point (LaTAP) account management portal. Allows a free platform for individual income taxpayers to access their LDR account. This was initiated in the fall of 2016.
- Created a 15-day NSF check letter to issue to taxpayers to notify them of a returned payment. This allowed time to receive payment prior to it being turned over to the District Attorney office for collection.
- Implemented individual income installment agreements in LaTAP. This self-service option allowed taxpayer to establish an installment agreement without contacting the Department. It made the process more efficient.

2017–2018

- Implemented ACT 211. This required a tax clearance for the issuance or renewal of a sales tax resale certificate. The ACT requires the taxpayer to be current in all tax they are registered for prior to receiving a clearance. Also, the ACT requires a tax clearance for approval of certain state contracts.

2021

- Started implementation of 2022 tax reform to Individual income tax
- Act 410 – The Louisiana Nonprofit and Small Business Assistance Program. Charities, faith-based organizations and small businesses received grants to support COVID-19 response and relief efforts in Louisiana. Eligible nonprofits, including churches and other faith-based organizations, public charities, and groups with federal tax-exempt status, such as 501(c)(3) organizations. Nonprofits must use grant funds to provide aid to communities impacted by COVID-19. Priority consideration will be given to nonprofits providing food, employment, and education assistance programs. Small businesses must use grant funds to provide workforce development activities that directly address a negative economic impact of the COVID-19 public health emergency. These activities must involve workforce preparation or must improve an individual's employment opportunities.
 - Eligible small businesses must have 50 or fewer full-time or full-time equivalent employees and include corporations, limited-liability companies (LLCs), partnerships and sole proprietorships.

2022

- Implemented major tax reform to Individual, corporation, and fiduciary income taxes and franchise tax.
- Implemented electronic filing and payment requirements for most excise taxes. Electronic filing incentivizes compliance, streamlines administration and simplifies tax processing. Tax types included: Vapor tax (2022), Hazardous Waste Disposal Tax (2023), Transportation and Communication Utilities Tax (2023), Inspection and Supervision Fee (2023), Telecommunication Tax for the Deaf (2023) Automatic extensions for Individual, corporation, and fiduciary income taxes and franchise tax.

2018–2019

- Entered into a joint program with Louisiana Wildlife and Fisheries to provide a one stop shop for boat registrations.

2019–2020

- Re-opened the Lafayette Regional Office (March 2020)
- LDR implemented the DocuSign software to allow e-signature for faster response and results. DocuSign always knows where your agreement is in the signing process. It allows the department to send and sign agreements securely from virtually any device. DocuSign e-signature eliminates manual tasks and increases convenience for our taxpayers.

2020–2021

- Re-opened the Alexandria Regional Office
- Remodel of the LaSalle Building Visitor Center for assisting walk-in taxpayers. Created a safer work environment for employees to assist the public. (November 2020)

2021–2022

- Reopened the Monroe Regional office
- Streamlined the informal installment agreement process
- The informal installment agreement term was changed from 24 months to 36 months. This has allowed taxpayers to establish a longer installment agreement without completing the Financial Condition Form and providing documentation, which has decreased the time to establish an installment agreement and improved collections.
- In January 2023, the Premium Pay for Duties Associated with the Department's Automatic Call Distributor (ACD) was increased from \$2.00 to \$3.00 per hour. The premium pay is in addition to an employee's base pay and it is only for hours worked on the ACD system. Providing premium pay to eligible employees is to enhance recruiting endeavors, create and sustain an experienced workforce and promote longevity within the agency. Implemented a new special entrance rate for the Revenue Tax Analyst position in the Customer Service Division to help address nationwide staff shortages.

2022–2023

- Implemented Premium Pay for Longevity
- Shreveport Regional office will re-open in September 2023
 - In December 2012, LDR closed the district offices in Alexandria, Lafayette, Lake Charles, Monroe, Shreveport, Dallas, Texas and Houston Texas due to a budget shortfall that placed a strain on the agency's budget.
 - It was estimated that the closure of the office would save the Department approximately \$0.5 million annually.
 - A goal of the Edwards administration has been to restore full customer service to all Louisiana taxpayers.
 - The stabilization of the state budget under Governor John Bel Edwards leadership has allowed LDR to resume the level of service that taxpayers need and deserve.
 - The offices re- opened on the dates listed below:
 - Lafayette District office - March 2020
 - Houston office - May 2020
 - Alexandria District office - October 2020
 - Dallas office - September 2021
 - Monroe District office - December 2022
 - Shreveport District - Scheduled for September
- Attended 77 Fairs and Festivals and collected a total of \$2.6 million in sales tax. (2016-2023)
- Revised the Federal State Questionnaire Form. Utilizing the QR code on the questionnaire will make the response process more efficient.
- Implemented ACT 701. The Office of Motor Vehicle \$60.00 reinstatement fee was removed as of January 1, 2023 and a clearance file is sent nightly to OMV to remove the suspension. (January 2023)
- Implemented the Qmatic check-in assistance software to enhance the customer and employee experience, improve operations and increase revenue.
- Launched the Tier 1 Call Center in Shreveport. This project is an essential part of providing timely customer service to the public. (March 2023)

Challenges Met

03

2016 Floods

- Offered filing and payment extensions, waived late filing and late payment penalties as well as interest (Revenue Information Bulletins 16-010, 16-032, 16-047)
- Processed Natural Disaster Sales Tax Refund Claims
- Legislation enacted to modify the definition of "federal income tax liability" for certain periods to avoid negative impacts to Louisiana taxpayers who claim the federal itemized deduction for certain net disaster losses resulting from the 2016 floods. Without this legislation, the increased federal deduction would cause an increase in the taxpayer's Louisiana tax.

Hurricanes Laura, Delta, Zeta and Ida

- Legislation enacted to modify the definition of "federal income tax liability" for certain periods to avoid negative impacts to Louisiana taxpayers who claim the federal itemized deduction for certain net disaster losses attributable to Hurricanes Laura, Delta, Zeta or Ida. Without this legislation, the increased federal deduction would cause an increase in the taxpayer's Louisiana tax.
- Filing and payment extensions Revenue Information Bulletins 20-021, 21-021, 21-024, 21-027, 20-022, 21-020. Automatic filing and payment extensions were granted to taxpayers located in or whose principal place of business, critical tax records, or paid tax preparers were located in the areas impacted by the 2020 and 2021 hurricanes.
- Waived Dyed Diesel Fuel Penalties to provide relief from supply chain disruptions cause by the Hurricanes to give Louisianans access to fuel – Revenue Information Bulletins 21-014, 21-022, 21-023, 21-026
- Processed Natural Disaster Sales Tax Refund Claims

COVID-19

- Extended the due date of returns, waived delinquency penalties and interest (Revenue Information Bulletins 20-008, 20-009, 20-011, 20-012, 20-013, 20-014, 20-021,
- Revenue Information Bulletin 21-019 exemption for COVID-19 Relief Benefits. The Bulletin recognized that funds received through the Louisiana Main Street Recovery Program and Frontline Workers COVID-19 Hazard Pay Rebate Program qualify as a state COVID-19 relief benefit for purposes of the individual and corporation income tax exemption enacted by Act 54 of the 2021 Regular Session.
- Act 31 of 2020 1st Extraordinary Session waived penalties and interest for certain taxpayers as a result of COVID
- During the pandemic and after, the Office of Charitable Gaming began offering Zoom trainings to ensure charitable organizations were able to hold events and be adequately trained.
- Acts 2020 2nd Ex. Session, No. 60 allows a refundable credit against income tax for the amount of the 2020 annual state license and permit fees imposed by Alcohol and Tobacco Control paid by a business such as a bar that is licensed to sell or serve alcoholic beverages for consumption on their premises by paying customers. Applicable to income taxable periods beginning in 2020.
- Frontline Workers COVID-19 Hazard Pay Rebate Program (Act 12) The program granted a one-time \$250 rebate for essential critical infrastructure workers within the Enterprise Zone Program. Eligible workers had to be Louisiana residents with adjusted gross income of \$50,000 or less who worked at least 200 hours in an eligible job category between March 22, 2020, and May 14, 2020, providing in-person services to the public. The department accepted applications between July 15, 2020, and October 31, 2020. The program had a \$50 million cap.
 - LDR implemented programs to accept applications through a custom portal, and on paper, for the processing of Frontline Worker Rebates. Each applicant was potentially eligible to receive a lump sum amount of \$250.
 - Through a successful partnership with Louisiana Workforce Commission LDR was able to minimize fraud and validate wage and earnings history as part of the eligibility requirements.
 - The program netted 240,360 applications, and distributed 152,554 rebates.
- COVID-19 Hazard Pay Rebate Program provided a one-time hazard pay rebate of \$250 to essential critical infrastructure workers who met eligibility requirements.
- Exemption from individual and corporation income tax for all COVID-19 relief benefits received by a taxpayer.

04

Leaving Louisiana Better Than We Found It

Comparisons of where the agency was in 2015 to now

- Budgetary improvements: Act 348 of the 2020 Regular Session changed the funding structure of LDR. In 2015, LDR was funded by self-generated revenues stemming from penalties. This gave some members of the public the incorrect impression that LDR was looking to penalize taxpayers for the benefit of the agency. Act 348 required LDR to simply withhold 1% of specific taxes collected. This 1% now makes up LDR's self-generated revenues.
- The Department reopened its regional offices in Alexandria, Lafayette, Monroe and Shreveport, and restored full customer service to the regional office in New Orleans
- The office closures and scaling back of services in New Orleans were due to budget cuts in 2012



05

BY THE NUMBERS

From 2016 to 2023:

- Collected more than \$74.6 billion in revenues
- LDR processed over 24.5 million tax returns and issued \$8.5 billion in total refunds.
- \$6,078,029,663.37 in delinquent collections collected by the Business Tax Enforcement Division
- Agency has answered 3,548,410 calls from taxpayers (January 2016 – April 2023)
- The Litigation Division resolved and closed over 10,563 litigation cases during the Governor's term.
 - The average yearly closure was 1,320.
 - In the files closed the Department collected or retained over \$536,972,221 for the State of Louisiana.
- Office of Charitable Gaming
 - 23 charitable organizations investigated for \$316,188 in theft.
 - \$161,105 recovered and 10 arrests made.
- Hired 811 staff members (January 2016 – June 2023)
- Criminal Investigations Division intercepted \$146,324,369 in potentially fraudulent refunds

YEAR	POTENTIALLY FRAUDULENT REFUNDS INTERCEPTED
2016	\$9,175,538
2017	\$9,439,544
2018	\$21,469,932
2019	\$5,939,852
2020	\$15,191,612
2021	\$38,579,707
2022	\$23,101,557
2023	\$23,426,627
Total	\$146,324,369



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