

July 19, 2007

The Honorable Alfred W. Speer
Clerk of the House of Representatives
State Capitol
Baton Rouge, Louisiana 70804

Re: House Bill No. 505 by Representative Richmond
TAX/SALES & USE: Authorizes various sales and use tax exemptions

Dear Mr. Speer:

House Bill No. 505 expands the manufacturing machinery and equipment sales tax exclusion to recyclable material merchant wholesalers, creates a sales tax rebate for new facilities locating in the Orleans and St. Bernard Parishes Recovery Zone, and provides an exemption from the state sales tax for business utilities.

As for the manufacturing and equipment sales tax exclusion, this became law when I signed House Bill No. 225 by Representative St. Germain, now Act No. 429.

The sales tax rebate for facilities locating in Orleans and St. Bernard would give preferential treatment to those two parishes and neglects other areas impacted by Hurricanes Katrina and Rita. Even within the selected parishes, the bill would be viewed as unfair by businesses that existed prior to July 1, 2007, or manufacturers not engaged in the type of manufacturing specifically mentioned in the bill. It is important to note further that my administration, working together with the Legislature, gave manufacturing businesses the opportunity to replace hurricane-damaged or destroyed equipment. Act 47 of the 2005 1st Extraordinary Session extended that opportunity until June 30, 2007. Also as of July 1, 2007, purchases or leases of manufacturing equipment are exempt from state sales tax on fifty-four percent of the sales price or lease price of the property. Lastly, this bill would also mandate a local sales tax exemption in the two parishes for newly opening businesses of the selected types. Local elected officials already have sufficient authority to provide for exemptions for this equipment for these or other types of businesses without this bill.

House Bill No. 505 also attempts to exempt from state sales and use tax, natural gas and energy sources used for boiler fuel or in the generation of electricity for self-consumption or for sale. Not only does this exemption create a significant revenue loss for the state, but the Department of Revenue has informed me that portions of the bill are internally inconsistent in that it calls for an exemption in some situations but not in others. This flaw would make administration extremely difficult and may subject the state to litigation.

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For these reasons, I have vetoed House Bill No. 505 and am returning it to the House of Representatives.

Sincerely,

Kathleen Babineaux Blanco
Governor

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