
PARISH OF RAPIDES

SALES AND USE TAX DEPARTMENT

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March 24, 2009 Important Notice Statement of Position - Occupational License Tax

Our office has received numerous questions regarding the application of the occupational license statutes as it relates to corporations, partnerships, LLCs, LLPs, and other legal entities and more specifically the treatment of selling, leasing, renting or licensing of real property and investment activity by these entities as well as by sole proprietors.

Occupational license fees are based on gross sales, gross receipts, gross loans, gross commissions or flat fees with one license being due for each place of business. Any person or other legal entity “engaged in business” within Rapides Parish or one of its municipalities is required to obtain a local occupational license prior to beginning business unless the entity or activity is specifically exempt. Anyone that is “engaged in business” is required to pay a fee based on total gross receipts generated from all activity based upon the classification of business that constitutes the major portion of the annual gross receipts.

Legal Entities

(The following provisions relating to a local occupational license tax shall be applicable to all Rapides Parish municipalities except McNary, Cheneyville and Forest Hill). Corporations, partnerships, LLCs, and LLPs are created under specific statutes administered by the Secretary of State and as such have held themselves out as being “engaged in business,” and therefore are required to obtain a local occupational license, except as specifically set forth hereafter.

Leasing, Renting or Licensing of Immovable Property

LARS 47:355(B)(1) states that “businesses engaged in renting, leasing or licensing of immovable property” (with the exception of storage businesses which pay a fee under LARS 47:354 - Table 1) shall pay a fee calculated using Table 2 based on the domicile location of the entity. For purposes of determining who is “engaged in business” under this section only, the following will not be considered to be “engaged in business”:

- (a) Sole proprietors or other legal entities that have gross passive income of less than \$100,000 annually;
- (b) Any entity, the primary purpose of which is to support an operating company by providing a facility to house the operating company, financed through a leasing arrangement with the operating company, 80% of which entity’s gross income is derived by rents from the operating company, and 80% of the ownership of which entity is owned by owners of the operating company.

- (c) Any “family” entity which is at least 80% owned by the members of the same family and/or trusts for the benefit of members of the same family, 80% of which entity’s gross income constitutes passive income. For purpose of this paragraph, “members of the same family” shall include individuals related by blood, adoption or marriage (including spouses, ancestors, and lineal descendants); and
- (d) Any entity formed as an organization exempted by LARS 47:360, and any individual exempted by LARS 47:360

All Other Businesses & Professionals

LARS 47:359(J) covers all other businesses and professionals not specifically addressed elsewhere in the occupational license tax statutes. Individuals or legal entities that purchase real property with the intent to resale (flip) would be required to obtain a license fee based on one-tenth of one percent of annual gross receipts without deductions (not net income) with a minimum license fee of \$50 and a maximum fee of \$2,000. Any sale that qualifies for capital gains treatment on the federal income tax return would be excluded from the calculation of total gross receipts for occupational license tax purposes.

Prescriptive Period for Licenses

The prescriptive period for occupational license taxes is the current year plus the three previous years.

Note: This is the position of the Rapides Parish Sales Tax Department and does not necessarily reflect the opinion of other occupational license tax collectors elsewhere in the state.

