

**A PROVISIONAL HANDBOOK FOR ADMINISTERING THE
LOUISIANA MILK PRODUCERS' REFUNDABLE TAX CREDIT PROGRAM
CREATED BY ACT 461 OF THE 2007 LOUISIANA LEGISLATURE**

1. The dairy division of the Department of Health and Hospitals (DHH) will provide a list of Louisiana milk producers certified as Grade A milk producers in 2007 by January 31, 2008 to the Louisiana Department of Agriculture and Forestry (LDAF) and to the Louisiana Department of Revenue (LDR). A certified list of Louisiana Grade A milk producers is to be provided in subsequent years by January 31 of the following year. (R.S. 47:6032. §6032.E)
2. The LDAF will make available to every Louisiana certified milk producer the "Authorization to Release Information" form requested by the administrator of Southeast Federal Milk Market Order 7 (SE FMMO 7) within thirty (30) days of the implementation of regulations governing La. R.S. 47:6032. Unless withdrawn in writing, the "Authorization to Release Information" form will be considered valid for the life of the Louisiana Milk Producers' Refundable Tax Credit Program (LMPRTCP). (R.S. 47:6032 §509.A)
3. Any dairyman wishing to qualify for the LMPRTCP in 2007 must submit, within the specified time frame, a properly completed and signed "Authorization to Release Information" form to the LDAF. Dairyman who fail to submit the form by the specified deadline date will have self-eliminated themselves from qualifying for a refundable tax credit in 2007 and every subsequent taxable year thereafter until the "Authorization to Release Information" form is submitted and accepted by both the LMPRTCP Committee (Committee) and by the Administrator of the Southeast Federal Milk Market Order 7 (SE FMMO 7). (R.S. 47:6032 §507.A.3, §507.C, §509.A)
4. The LDAF will assemble all "Authorization to Release Information" forms, make and distribute copies as necessary and send the original to the Administrator of the SE FMMO 7. (R.S. 47:6032 ;§509.B)
5. The Administrator of SE FMMO 7 will create and provide a list of pounds of total calendar year milk production pooled within the Federal Milk Market Order System (FMMO) by Louisiana dairyman for 2007 and subsequent years by March 1, 2008 and every subsequent March 1 thereafter to the LDAF or their designee provided the milk producer has submitted all required information relevant to the "Release of Information".
6. Any Louisiana dairyman requesting credit for milk produced, but not pooled and accounted for by the SE FMMO 7 administrator, must submit a "Non-Pooled Milk Production Certification" form required by the LDAF for petitioning that the refundable tax credit be given for the production of the non-pooled milk by March 1, 2008 and every subsequent March 1 thereafter. (R.S. 47:6032 §507.4; §507.6)

7. The LDAF submits a list to the LDR by April 30 of each year identifying: (a) every Louisiana milk producer certified as a Grade A milk producer during the 2007 taxable year and every year thereafter, (b) their annual pounds of milk production and (c) the anticipated refundable tax credit each producer is entitled to for the tax year. The annual milk production will be equal to the sum of pounds reported by the administrator of SE FMMO 7 and production credited by the LDAF for self-reported, non-pooled FMMO 7 milk production. (La. R.S. 47:6032 §513.A).
8. The LDR reconciles the list of certified Louisiana milk producers as received from the dairy division of DHH against the list received from the LDAF of refundable tax credits to be awarded to each producer using the criteria of (a) a maximum per producer annual refundable tax credit of \$30,000 and (b) aggregate annual refundable tax credit not to exceed \$2.5 million dollars. (La. R.S. 47:6032 §507.A.1, §521.A).
9. The Department of Agricultural Economics and Agribusiness (Department), a unit of the Louisiana State University Agricultural Center, will make the calculations and the initial determination of whether a given calendar month qualifies its corresponding calendar year quarter for a refundable tax credit. At the end of the calendar year, the Department will identify the number and/or percentage of qualifying quarters. The Department will also calculate the amount of refundable tax credits to be awarded to each certified Louisiana dairy farmer, based on the production level reported in 7 above, and present that information to the Committee (Committee) for ratification by March 31, 2008 and every year thereafter. (La. R.S. 47:6032 §511.B, §513).
10. The Department will make the calculations in accordance with the following steps using available data. Deviations from these steps and/or use of alternative data bases will be documented and made part of the ratification process. The accompanying illustration of these steps will be for the tax year 2007.
 - a. The SE FMMO 7 administrator will, based on the five states exporting the greatest volumes of milk into Louisiana during the calendar year, identify the Federal Milk Market Order Areas (FMMOs) with which those states are affiliated. The report will identify, by FMMO, the number of affiliated exporting states and the total pounds of milk exported into Louisiana by those states. (La. R.S. 47:6032 §511.A.1)
 - b. Published reports of Federal Milk Market Order administrators provide sets of monthly uniform prices for the SE FMMO 7 and for those FMMOs affiliated with the five states exporting the largest volumes of milk into Louisiana. Uniform prices (UP) from these reports will be recorded into an Excel or other computer software spreadsheet for the following time periods: (1) the taxable year (2007) or the subsequent

year for which refundable tax credits determinations are to be made, and (2) the three years prior to the tax year which, in the case of 2007, are 2004, 2005 and 2006. A production price (PP) will be calculated for each of those three years preceding the taxable year as follows in 10.c through 10.i. (La. R.S. 47:6032 §511)

- c. Starting with calendar year 2004, monthly uniform prices will be recorded for SE FMMO 7 and each of the FMMOs identified as being affiliated with one of the five states exporting the greatest volume of milk into Louisiana during the year. (La. R.S. 47:6032 §511.A.1)

- d. Transportation costs will be calculated as the product of the mileage rate factor (MRF) for the month as reported by the SE FMMO 7 administrator and the number of miles from the FMMO’s pricing point to New Orleans, LA. The number of miles will be based on Google or other commercial map producing service’s estimates of distance. The MRF has been published since December 2006 by the SE FMMO 7 administrator. MRF values prior to December 2006 will be calculated in accordance with federal milk market order procedures for calculating “Mileage Rates for the Transportation Credit Balancing Fund”. See F.O. 7 Order Language §1000.83. Those procedures use prices of diesel fuel for the Lower Atlantic (PADD 1C) and Gulf Coast (PADD 3) regions as reported by the U.S. Energy Administration’s Office of Information and available through the website http://tonto.eia.doe.gov/dnav/pet/pet_pri_gnd_dcus_riz_w.htm. The number of miles from the pricing points of the FMMOs most likely to be exporting milk into Louisiana and New Orleans, LA (N.O.) is summarized in the following table:

FMMO	PRICING POINT	MILES TO N.O.
Southwest	Dallas, TX	521
Southeast	Atlanta, GA	469
Central	Kansas City, KS	910

Starting with calendar year 2004, the transportation costs for moving bulk raw milk from the pricing point in the respective FMMO to New Orleans, Louisiana will be calculated in accordance with the following formula:

Transportation Cost/cwt. = miles x MRF, where:

- . Miles is the distance between the pricing point of the FMMO from which milk is exported to New Orleans, Louisiana;

. MRF is the per cwt per mile cost associated with the Transportation Credit Balancing Fund Mileage Rate.

- e. For distances identified in 10.d above, calculate a Transportation Cost per Hundredweight (TC) charge for each of the FMMOs affiliated with the five states exporting milk into Louisiana using the FMMO Transportation Credit Balancing Fund Formula. (La. R.S. 47:6032 §511.A.2)
- f. Obtain monthly uniform prices (UP) for FMMO #7 for the tax year and the three preceding years as well as for each of the FMMOs for which the top five states exporting milk into Louisiana were affiliated. (La. R.S. 47:6032 §511.A.1)
- g. Calculate a monthly average of the sum of the uniform price plus transportation cost (UP + TC) for the FMMOs affiliated with the top five states exporting milk into Louisiana. The value, (UP + TC), for a FMMO will enter into the calculation of the monthly average as many times as there is an export state affiliation with that FMMO. (La. R.S. 47:6032 §511.A.1 and A.2)
- h. Calculate a monthly Market Balancing Factor (MBF) as the difference between the average (UP +TC) value less the monthly value of the SE FMMO 7 UP (UP). (La. R.S. 47:6032 §503.Definitions *Production Price*)
- i. Calculate a monthly Production Price (PP) as the sum of the MBF plus the Cost of Milk Production (COP) as estimated by the Department. Derive an annual average of the monthly production prices (YPP) for each of the three years preceding the tax year for which the refundable tax credit eligibility is being determined. (La. R.S. 47:6032 §511.A.3)
- j. Calculate the Announced Production Price (APP) for the tax year (2007) as a moving average of the three-year YPP for the three years (2004, 2005, 2006) immediately preceding the tax year (2007) for which the refundable tax credit determination is being made. (La. R.S. 47:6032 §503.Definitions *Announced Production Price*).
- k. Contrast the APP and the SE FMMO 7 UP for each month in the tax year to establish refundable tax credit eligibility for the month as follows:

IF	THEN TAX CREDIT IS:
UP Greater Than APP	DENIED
UP Equal to APP	GRANTED
UP Less Than APP	GRANTED

- l. A refundable tax credit eligibility for the calendar quarter is declared whenever one or more months in the calendar quarter qualifies for a refundable tax credit. (ACT 461. R.S. 47:6026 Section 1.D)
- m. Compile a list identifying and ranking Louisiana milk producers' by total production. A producer's total production is equal to the sum of production identified by the SE FMMO 7 administrator plus the credit for non-pooled milk allowed by the Committee and approved by the Commissioner of Agriculture or designee. Based on the producer's calendar year total milk production, identify the category of preliminary refundable tax credit eligibility according to the following schedule:

Amount of Milk Produced	Refundable Tax Credit
Up to 1,000,000 pounds	\$ 5,000
1,000,001 to 1,500,000 pounds	\$10,000
1,500,001 to 2,000,000 pounds	\$15,000
2,000,001 to 2,500,000 pounds	\$20,000
2,500,001 to 3,000,000 pounds	\$25,000
3,000,001 pounds and above	\$30,000

(ACT 461. R.S. 47:6026 Section 1.C)

- n. Depending on the number of qualifying quarters, establish the percentage of the qualifying refundable tax credit for the calendar year according to the following schedule:

Number of Qualifying Quarters	Percent Refundable Tax Credit
4	100 %
3	75 %
2	50 %
1	25 %
0	0 %

- o. Identify all reimbursable costs associated with the Louisiana Milk Producers' Refundable Tax Credit Program.
- p. Based on the producer's production level, identify the refundable tax credit for each producer subject to (1) the percent refundable tax credit (0 -100%) derived in 10.n above, (2) an individual producer cap of \$30,000 (3) an annual aggregate cap of \$2,500,000 for the LMPRTCP and (4) any reimbursable costs. (ACT 461. R.S. 47:6026 Section 1.F). The individual producer's refundable tax credit will first be derived as the product of the ANTICIPATED INDIVIDUAL refundable tax credit

specified for the production level in (10.m) and (10.n) above. The PROGRAM GROSS refundable tax credits will be derived as the sum of all ANTICIPATED INDIVIDUAL refundable tax credits. If there are any REIMBURSABLE COSTS, they will be subtracted from \$2,500,000 to establish the PAYOUT CAP. If the PROGRAM GROSS exceeds the PAYOUT CAP, all ANTICIPATED INDIVIDUAL refundable tax credits will be adjusted downward by the percentage necessary to insure that the sum of the PROGRAM GROSS and REIMBURSABLE COSTS do not exceed the statutory cap of \$2,500,000 for the LMPRTCP.

- q. Submit a list of “Louisiana Milk Producers”, “their annual production”, and “ANTICIPATED INDIVIDUAL REFUNDABLE TAX CREDITS” for the taxable year to the Committee for ratification and submission to the Louisiana Commissioner of Agriculture for review and approval. (La. R.S. 47:6032 §513.A.1)

- 11. The Committee will ratify the Department’s calculations and the list identifying ANTICIPATED INDIVIDUAL REFUNDABLE TAX CREDITS. Upon ratification, the Committee will submit a list of certified producers, their annual production and their anticipated individual refundable tax credits to the Commissioner of Agriculture or his designee for approval and submission to the LDR. (La. R.S. 47:6032 §513.A, §519.B)
- 12. The LDR will provide for the awarding of refundable tax credits in accordance with its policies and procedures for making such awards. (La. R.S. 47:6032 §521.B).