

2015 Regular Session

HOUSE BILL NO. 506

BY REPRESENTATIVE JAMES

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

TAX/CORP INCOME: Requires pro forma income tax returns relative to the potential for the use of a combined unitary reporting system as a method of income apportionment

1 AN ACT

2 To enact R.S. 47:287.733(C), relative to corporation income tax; to establish a pilot program
3 adopting combined unitary reporting for income tax purposes; to provide for
4 definitions; to require the reporting of certain information related to corporation
5 income and groups of corporations; to provide for effectiveness; and to provide for
6 related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:287.733(C) is hereby enacted is enacted to read as follows:

9 §287.733. Corporations filing consolidated federal returns

10 * * *

11 C. Combined Reporting.

12 (1) Statement of Intent. In recognition of the fact that corporate business is
13 increasingly conducted on a national and international basis, it is the intent of the
14 Legislature of Louisiana to adopt a unitary combined system of income tax reporting
15 for corporations. Louisiana's separate accounting system is inadequate to measure
16 accurately the income of a corporation with non-Louisiana affiliates and creates tax
17 disadvantages for Louisiana corporations which compete with multistate and
18 multinational corporations doing business in Louisiana. It is the intent of the

1 Legislature of Louisiana, in adopting a unitary combined reporting system, to put all
2 corporations doing business in Louisiana on an equal income tax footing.

3 (2) Definitions. For purposes of this Subsection, the following words and
4 phrases shall have the following meanings unless the context indicates otherwise:

5 (a) "Combined group" means a group of two or more corporations in which
6 more than fifty percent of the voting stock of each member corporation is directly
7 or indirectly owned by a common owner or owners, either corporate or
8 non-corporate, or by one or more of the member corporations, and that are engaged
9 in a unitary business.

10 (b) "Unitary business" means the activities of a group of two or more
11 corporations under common ownership that are sufficiently interdependent,
12 integrated, or interrelated through their activities so as to provide mutual benefit and
13 produce a significant sharing or exchange of value among them or a significant flow
14 of value between the separate parts. The term unitary business shall be construed to
15 the broadest extent permitted under the United States Constitution.

16 (3) Combined reporting.

17 (a) For tax periods beginning on or after January 1, 2016, each corporation
18 which is part of a unitary business with one or more other corporations must file a
19 return, in a manner prescribed by the secretary, for the combined group containing
20 the combined income, determined under this Subsection, of the combined group.

21 (b) The use of a combined report does not disregard the separate identities
22 of the taxpayer members of the combined group. Each taxpayer member is
23 responsible for tax based on its taxable income or loss apportioned to this state.

24 (c) Therefore the members of the unitary business group shall determine
25 their Louisiana taxable income as follows:

26 (i) Each company will be treated as a separate entity and must each file its
27 own income and franchise tax returns. However, the unitary business group will
28 make a combined income statement as the first step in the computation of the
29 Louisiana income tax owed by each company.

1 (ii) The unitary business group's combined net income will be calculated by
2 including the income and deductions of all members of the group.

3 (iii) Each company will compute its Louisiana net income or loss by
4 apportioning and allocating its share of the combined net income to its separate
5 return using the provisions of R.S. 47:287.92 through 287.95. The specific
6 apportionment formula to be used by each corporation will be determined based on
7 the primary business of the group as a whole. Both the Louisiana revenue, wages,
8 and property and the combined revenue, wages, and property are to be determined
9 after inter-company eliminations. The apportionment ratio so computed shall be
10 applied to combined net apportionable income to determine the separate company's
11 Louisiana apportionable income. Items of allocable income and expense, after
12 eliminations, are attributed to the entity that produced the income.

13 (4) Filing requirements. Each combined report shall include all of the
14 following information:

15 (a) A list of the companies included in the combined statement and their
16 federal and Louisiana taxpayer identification numbers.

17 (b) A combined profit and loss statement disclosing each company's
18 statement of profit and loss.

19 (c) A schedule of inter-company eliminations.

20 (d) Apportionment formula calculations disclosing the total combined
21 amount of property, payroll, and sales and each separate company's Louisiana
22 amount of property, payroll and sales.

23 (e) Schedules showing the computation of each company's Louisiana
24 apportionable and allocable income.

25 (f) Schedules showing the computation of each company's tax credits,
26 Louisiana net operating loss, and federal income tax deduction.

27 Section 2. The provisions of this Act shall apply to all taxable periods beginning on
28 or after January 1, 2016.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 506 Original

2015 Regular Session

James

Abstract: Establishes a pilot program for the use of combined unitary reporting for purposes of La. corporation income tax and the method for determination of income subject to the tax.

Present law levies a tax on corporations at the following rates:

- (1) 4% of the first \$25,000 of Louisiana taxable income.
- (2) 5% of the amount of Louisiana taxable income above \$25,000 and less than \$50,000
- (3) 6% of the amount of Louisiana taxable income above \$50,000 and less than \$100,000
- (4) 7% of the amount of Louisiana taxable income above \$100,000 and less than \$200,000
- (5) 8% on all Louisiana taxable income above \$200,000

Proposed law establishes a pilot program for the use of the combined unitary reporting method for determination of income subject to the tax.

Proposed law requires the filing of informational returns by certain corporate entities. Further, requires the reporting of specific information regarding companies' income.

Proposed law provides for the various methods of determining the apportionable income of corporations and certain groups of corporations.

Applicable to taxable periods beginning on or after Jan. 1, 2016.

(Adds R.S. 47:297.733(C))