

2018 Second Extraordinary Session

SENATE BILL NO. 7

BY SENATOR MORRELL

TAX/TAXATION. Makes permanent reforms to the credit for individual income taxes paid in other states. (Item #17) (gov sig)

1 AN ACT

2 To amend and reenact Section 4 of Act No. 109 of the 2015 Regular Session of the  
3 Legislature and R.S. 47:33(A)(4), (5), and (6), to enact R.S. 47:33(A)(7), and to  
4 repeal Section 2 of Act No. 109 of the 2015 Regular Session of the Legislature,  
5 relative to tax credits; to provide with respect to the individual income tax credit for  
6 taxes paid to other states; to eliminate the termination of limitations previously  
7 enacted; to provide for an effective date; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. Section 4 of Act No. 109 of the 2015 Regular Session of the Legislature  
10 is hereby amended and reenacted to read as follows:

11 Section 4. The provisions of Sections ~~1 and 3~~ **1, 3, and 4** of this Act shall  
12 become effective on July 1, 2015, ~~and shall remain effective through June 30, 2018,~~  
13 ~~at which time the provisions of Sections 1 and 3 of this Act shall become null, void,~~  
14 ~~and of no effect. The provisions of Section 4 of this Act shall become effective on~~  
15 ~~July 1, 2015. The provisions of Section 2 of this Act shall become effective on July~~  
16 ~~1, 2018.~~

17 Section 2. Section 2 of Act No. 109 of the 2015 Regular Session of the Legislature

1 is hereby repealed in its entirety.

2 Section 3. R.S. 47:33(A)(4), (5), and (6) are hereby amended and reenacted and R.S.  
3 47:33(A)(7) is hereby enacted to read as follows:

4 §33. Credit for taxes paid in other states

5 A. Subject to the following conditions, resident individuals shall be allowed  
6 a credit against the taxes imposed by this Chapter for net income taxes imposed by  
7 and paid to another state on income taxable under this Chapter, provided that:

8 \* \* \*

9 (4) The credit shall be allowed only if the other state provides a similar credit  
10 for Louisiana income taxes paid on income derived from property located in, or from  
11 services rendered in, or from business transacted in Louisiana.

12 (5)(a) The credit shall be limited to the amount of Louisiana income tax that  
13 would have been imposed if the income earned in the other state had been earned in  
14 Louisiana.

15 **(b) The credit shall not exceed the proportion of the net income tax**  
16 **payable under this Chapter as the income subject to tax in the other state and**  
17 **also taxable under this Chapter bears to the taxpayer's entire income upon**  
18 **which the net income tax is imposed by this Chapter.**

19 (6) The credit shall not be allowed for income taxes paid to a state that allows  
20 a nonresident a credit against the income taxes imposed by that state for taxes paid  
21 or payable to the state of residence.

22 **(7)(a) For taxes paid on or after January 1, 2018, an individual partner**  
23 **or member of an entity who pays another state's entity level tax that is based**  
24 **solely upon net income included in the entity's federal taxable income without**  
25 **any capital component shall be allowed a deduction equal to their proportionate**  
26 **share of the entity level tax paid.**

27 **(b) The deduction pursuant to this Paragraph shall be allowed only to**  
28 **the extent that the proportionate share of the related income on the tax paid to**  
29 **the other state is included in the calculation of Louisiana taxable income that**

1           **is reported on the Louisiana return of the individual partner or member.**

2           Section 4. This Act shall become effective upon signature by the governor or, if not  
3 signed by the governor, upon expiration of the time for bills to become law without signature  
4 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
5 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
6 effective on the day following such approval.

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The original instrument and the following digest, which constitutes no part  
of the legislative instrument, were prepared by Leonore Heavey.

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DIGEST

SB 7 Original

2018 Second Extraordinary Session

Morrell

Present law provides for limitations to the individual income tax credit for taxes paid to another state and sunsets the limitations on June 30, 2018.

Proposed law repeals the sunset date and makes the limitations permanent.

Present law provides that the credit for taxes paid in other states shall be limited to the amount of Louisiana income tax that would have been imposed if the income earned in the other state had been earned in Louisiana.

Proposed law retains present law but provides that the credit shall not exceed the proportion of the net income tax payable under present law as the income subject to tax in the other state and also taxable under present law bears to the taxpayer's entire income upon which the net income tax is imposed by present law.

Proposed law retains present law and further provides that for taxes paid on or after January 1, 2018, an individual partner or member who pays another state's entity level tax that does not have a capital component but is based solely on net income shall be allowed a deduction of their proportionate share of the entity level tax paid.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 47:33(A)(4), (5), and (6) and Section 4 of Act 109 of 2015 R.S.; adds R.S. 47:33(A)(7); repeals Section 2 of Act 109 of 2015 R.S.)