
DIGEST

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HB 624 Engrossed

2015 Regular Session

Jackson

Abstract: Reduces the amount of certain corporate income tax exclusions and deductions by 20%.

Present law (R.S. 6:662) provides that credit unions are exempt from all taxes except for immovable property owned. Further provides that the shares of a credit union are not subject to a stock-transfer tax and that no fees or taxes apply to credit unions.

Proposed law changes present law by requiring credit unions to pay 20% of the stock transfer tax.

Present law (R.S. 12:302) exempts from state corporation income tax certain foreign corporations if their La. operations are limited to certain activities related to making, acquiring, or participating in loans.

Proposed law changes present law by requiring those foreign corporations to pay 20% of any tax or any fee required to be paid by other foreign corporations or business associations under present law.

Present law (R.S. 12:425) exempts certain electric cooperatives from all excise and income taxes.

Proposed law retains present law but reduces the exemption from all excise and income taxes to 80% of excise and income taxes that would have been required to be paid.

Present law (R.S. 47:48) excludes from gross income for corporations all interest earned on state or local obligations issued by the state or its political municipal subdivisions.

Proposed law retains present law but reduces the exemption from all interest to 80% of the amount of interest received.

Present law (R.S. 47:51) excludes from corporation gross income any funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system.

Proposed law retains present law but reduces the exclusion from any funds received to 80% of the funds received by a corporation.

Present law (R.S. 47:158) provides an additional deduction in determining net income for oil and gas depletion. The deduction equals 22% of gross income from the property, excluding any rents or royalties paid or incurred by the taxpayer due to the property. The deduction is further limited to

50% of the net income from the property calculated without the deduction for depletion.

Proposed law retains present law but reduces the deduction from 22% of the gross income from the property during the taxable year, excluding any rents or royalties, to 18% of the gross income from the property during the taxable year, excluding 80% of rents or royalties. Further reduces allowable deduction from an amount not to exceed 50% of the net income of the taxpayer to an amount not to exceed 40% of the net income.

Present law (R.S. 47:246) provides a deduction for net operating loss of a corporation. The amount of the deduction is equal to the amount of the net operating loss.

Proposed law retains present law but reduces the amount of the deduction from the entire amount of the net operating loss to 80% of the net operating loss.

Present law (R.S. 47:287.71) excludes from corporation gross income any funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system.

Proposed law retains present law but reduces the exclusion from any funds received to 80% of the funds received by a corporation.

Present law (R.S. 47:287.73) provides for a deduction from corporate income tax any expenses disallowed under I.R.C. Section 280C. Further requires a taxpayer who elects to claim certain credits that are based on an expense to reduce the federal deduction for the expense by the dollar amount of the credit claimed.

Proposed law retains present law but reduces the amount of the deduction from disallowed expenses to 80% of disallowed expenses.

Present law (R.S. 47:287.86) provides a deduction from corporate income for the amount of the net operating loss incurred in La.

Proposed law retains present law but reduces the amount of the deduction from the entire amount of the net operating loss to 80% of the net operating loss.

Present law (R.S. 47:287.732) authorizes a deduction from gross income of a corporation in an amount equal to interest and dividend income included on the federal income tax return.

Proposed law retains present law but reduces the amount of the deduction from the full amount of dividends to 80% of the amount of dividends that would be included in income.

Present law (R.S. 47:287.738) authorizes a deduction from gross income of an amount equal to interest and dividend income included on the federal income tax return.

Proposed law retains present law but reduces the deduction from the amount of interest and dividend

income to 80% of the interest and dividend income.

Present law (R.S. 47:287.745) provides an additional deduction in determining net income for oil and gas depletion. The deduction is 22% of gross income from the property, excluding any rents or royalties paid or incurred by the taxpayer due to the property. The deduction is further limited to 50% of the net income from the property calculated without the deduction for depletion.

Proposed law retains present law but reduces the deduction from 22% of the gross income from the property during the taxable year, excluding any rents or royalties, to 18% of the gross income from the property during the taxable year, excluding 80% of rents or royalties. Further reduces allowable deduction from an amount not to exceed 50% of the net income of the taxpayer to an amount not to exceed 40% of the net income.

Present law (R.S. 51:3092) exempts from corporation income and franchise taxes, certain La. Community Development Financial Institutions for 5 consecutive taxable periods, commencing with the taxable period in which the capital company is certified by the commissioner.

Proposed law retains present law but reduces the exemption from five consecutive taxable periods to four consecutive taxable periods.

Effective beginning July 1, 2015 and applicable for all exclusions from taxable income and all claims for deductions made on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates.

(Amends R.S. 6:662, R.S. 12:302(L) and 425, R.S. 47:48, 51, 158(C) and (D), 246(A), 287.71(B)(2), (3), (4), and (6), 287.73(C)(4), 287.86(A)(intro. para.), 287.732(B)(2), 287.738(F)(1) and (G), and 287.745(B), and R.S. 51:3092)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Add the following corporate income tax deductions and exclusions and reduce the amount of the deductions and exclusions by 20%:
 - (1) R.S. 6:662 - Taxation (credit unions)
 - (2) R.S. 12:302 - Acts not considered transacting business (foreign corporations)
 - (3) R.S. 12:425 - Taxation (electric cooperatives)
 - (4) R.S. 47:48 - Exclusion from gross income; interest on La. state or local government obligations

- (5) R.S. 47:51 - Exclusions from gross income; governmental subsidies
- (6) R.S. 47:158 - Basis for depletion (oil and gas wells)
- (7) R.S. 47:246 - Corporations; deduction from net income from La. sources
- (8) R.S. 47:287.71 - Modifications to federal gross income
- (9) R.S. 47:287.73 - Modifications to deductions from gross income allowed by federal law
- (10) R.S. 47:287.86 - Net operating loss deduction
- (11) R.S. 47:287.738 - Deduction for interest income and dividend income
- (12) R.S. 47:287.745 - Deductions from gross income; depletion (oil and gas wells)
- (13) R.S. 51:3092 - Corporation income and franchise tax exemption (LCDFI)