

GREEN SHEET REDIGEST

HB 624

2015 Regular Session

Jackson

(KEYWORD, SUMMARY, AND DIGEST as amended by Senate committee amendments)

TAX/CORP INCOME: Reduces the amount of certain corporate income tax exclusions and deductions

DIGEST

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

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(B)(2) and (3)) excludes from corporation gross income:

1. Any funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system.
2. Refunds of corporate income tax.

Proposed law retains present law but reduces the exclusion from any such 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. 47:287.738) 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. However, any exclusion or deduction not allowed by the proposed law on a return filed after July 1, 2015, pursuant to an extension of time to file granted prior to July 1, 2015, must be allowed in the following manner. One-third of any such exclusion and deduction not allowed may be taken as a deduction or exclusion only in each of the taxpayer's tax years beginning during calendar years 2017, 2018, and 2019.

Effective July 1, 2015.

(Amends R.S. 47:51, 158(C) and (D), 246(A), 287.71(B)(2), (3), and (6), 287.73(C)(4), 287.86(A)(intro. para.), 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)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Finance to the engrossed bill

1. Deleted the following from the bill, restoring 100% of the exclusion or deduction:
 - (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 and 287.71(B)(4) - Exclusion from gross income; interest on La. state or local government obligations.
 - (5) R.S. 47:287.732 - Exclusion for S Corporations.
2. Excepts from the provision in the proposed law makes its provisions applicable to any claim made on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates claims made pursuant to an extension of time to file granted prior to July 1, 2015. One-third of the claim may be taken only in each of the taxpayer's tax years beginning during calendar years 2017, 2018, and 2019.