RÉSUMÉ DIGEST

ACT 123 (HB 624) **2015 Regular Session** **Jackson**

REDUCTIONS TO CORPORATE INCOME TAX EXCLUSIONS AND DEDUCTIONS (EFFECTIVE JULY 1, 2015 THROUGH JUNE 30, 2018)

Existing 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.

Prior law provided an exclusion for 100% of the funds received.

New law reduces the exclusion from 100% of the funds received to 72% of the funds received by a corporation.

Existing law (R.S. 47:158 and R.S. 47:287.745) provides an additional deduction in determining net income for oil and gas depletion.

Prior law provided a deduction equal to 22% of gross income from the property, excluding 100% of any rents or royalties paid or incurred by the taxpayer due to the property. The deduction was further limited to 50% of the net income from the property calculated without the deduction for depletion.

New law reduces the deduction from 22% of the gross income from the property during the taxable year, excluding 100% of any rents or royalties, to 15.8% of the gross income from the property during the taxable year, excluding 72% 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 36% of the net income.

Existing law (R.S. 47:246) provides a deduction for net operating loss of a corporation.

Prior law provided that the amount of the deduction is equal to the amount of the net operating loss.

New law reduces the amount of the deduction from the entire amount of the net operating loss to 72% of the net operating loss.

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

Prior law provided an exclusion for 100% of the funds received.

New law reduces the exclusion from 100% of the funds received to 72% of the funds received by a corporation.

Existing law (R.S. 47:287.73) provides for a deduction from corporate income tax 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.

Prior law provided an deduction for 100% of the disallowed expenses.

New law reduces the amount of the deduction from 100% of the disallowed expenses to 72% of the 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.

Prior law provided a deduction for 100% of the net operating loss.

New law reduces the amount of the deduction from 100% of the amount of the net operating loss to 72% of the net operating loss.

Existing 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.

Prior law provided a deduction for 100% of the interest and dividend income.

New law reduces the deduction from 100% of the amount of interest and dividend income to 72% of the interest and dividend income.

Existing law (R.S. 51:3092) exempts from corporation income and franchise taxes certain La. Community Development Financial Institutions.

Prior law provided an exemption for five consecutive taxable periods, commencing with the taxable period in which the capital company is certified by the commissioner.

New law reduces the exemption from five consecutive taxable periods to four consecutive taxable periods.

APPLICABILITY

New law is 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.

New law is not applicable to an amended return filed on or after July 1, 2015, if the original return was filed prior to July 1, 2015.

If a taxpayer has been allowed a valid filing extension prior to July 1, 2015, and subsequently files the return after July 1, 2015, any portion of an exclusion or deduction disallowed by the provisions of new law shall be allowed as an exclusion or a deduction in the amount of one-third of the disallowed portion on the taxpayer's return for each of the taxable years beginning during 2017, 2018, and 2019.

SUNSET OF REDUCTIONS (EFFECTIVE JULY 1, 2018)

The reductions to the amount of the corporate income tax exclusions and deductions in new law sunsets on June 30, 2018. The amount of the corporate income tax exclusions and deductions in prior law shall be applicable to claims made on or after July 1, 2018.

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)