

2017 Regular Session

HOUSE BILL NO. 358

BY REPRESENTATIVE IVEY

TAX/INCOME TAX: Eliminates the deductibility of federal income taxes paid for purposes of calculating state individual income tax liability

1 AN ACT

2 To amend and reenact R.S. 47:241, 293(10), 300.6(A), and 300.7(A) and to repeal R.S.
3 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298, relative to income tax; to provide
4 relative to the deductibility of federal income taxes; to repeal the deductibility of
5 federal income taxes paid for purposes of calculating individual income taxes; to
6 provide for applicability; to provide for an effective date; and to provide for related
7 matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:241, 293(10), 300.6(A), and 300.7(A) are hereby amended and
10 reenacted to read as follows:

11 §241. Net income subject to tax

12 A. The net income of a nonresident individual ~~or a corporation~~ subject to the
13 tax imposed by this Chapter shall be the sum of the net allocable income earned
14 within or derived from sources within this state, as defined in R.S. 47:243, and the
15 net apportionable income derived from sources in this state, as defined in R.S.
16 47:244, less the ~~amount of federal income taxes attributable to the net allocable~~
17 ~~income and net apportionable income derived from sources in this state. The amount~~
18 ~~of federal income taxes to be so deducted shall be that portion of the total federal~~
19 ~~income tax which is levied with respect to the particular income derived from~~
20 ~~sources in this state to be computed in accordance with rules and regulations of the~~

1 ~~collector of revenue. Proper adjustment shall be made for the actual tax rates~~
 2 ~~applying to different classes of income and for all differences in the computation of~~
 3 ~~net income for purposes of federal income taxation as compared to the computation~~
 4 ~~of net income under this Chapter. Where the allocation of the tax is to be based on~~
 5 ~~a ratio of the amount of net income of a particular class, both the numerator and the~~
 6 ~~denominator of the fraction used in determining the ratio shall be computed on the~~
 7 ~~basis that such net income is determined for federal income tax purposes.~~

8 B. The net income of a corporation subject to the tax imposed by this
 9 Chapter shall be the sum of the net allocable income earned within or derived from
 10 sources within this state, as defined in R.S. 47:243, and the net apportionable income
 11 derived from sources in this state, as defined in R.S. 47:244, less the amount of
 12 federal income taxes attributable to the net allocable income and net apportionable
 13 income derived from sources in this state. The amount of federal income taxes to be
 14 so deducted shall be that portion of the total federal income tax which is levied with
 15 respect to the particular income derived from sources in this state to be computed in
 16 accordance with rules and regulations of the collector of revenue. Proper adjustment
 17 shall be made for the actual tax rates applying to different classes of income and for
 18 all differences in the computation of net income for purposes of federal income
 19 taxation as compared to the computation of net income under this Chapter. Where
 20 the allocation of the tax is to be based on a ratio of the amount of net income of a
 21 particular class, both the numerator and the denominator of the fraction used in
 22 determining the ratio shall be computed on the basis that such net income is
 23 determined for federal income tax purposes.

* * *

§293. Definitions

The following definitions shall apply throughout this Part, unless the context requires otherwise:

* * *

1 (10) "Tax table income", for nonresident individuals, means the amount of
2 Louisiana income, as provided in this Part, allocated and apportioned under the
3 provisions of R.S. 47:241 through 247, ~~plus the total amount of the personal~~
4 ~~exemptions and deductions already included in the tax tables promulgated by the~~
5 ~~secretary under authority of R.S. 47:295~~, less the proportionate amount of the federal
6 income tax liability, excess federal itemized personal deductions, the temporary
7 teacher deduction, the recreation volunteer and volunteer firefighter deduction, the
8 construction code retrofitting deduction, any gratuitous grant, loan, or other benefit
9 directly or indirectly provided to a taxpayer by a hurricane recovery entity if such
10 benefit was included in federal adjusted gross income, the exclusion provided for in
11 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by
12 I.R.C. Section 280C, the deduction for net capital gains, and personal exemptions
13 and deductions provided for in R.S. 47:294. The proportionate amount is to be
14 determined by the ratio of Louisiana income to federal adjusted gross income. When
15 federal adjusted gross income is less than Louisiana income, the ratio shall be one
16 hundred percent.

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18 §300.6. Louisiana taxable income of resident estate or trust

19 A. Definition. "Louisiana taxable income" of a resident estate or trust means
20 the taxable income of the estate or trust determined in accordance with federal law
21 for the same taxable year, as specifically modified by the provisions contained in
22 Subsection B of this Section, less a federal income tax deduction to be computed
23 ~~following the provisions of R.S. 47:287.83 and 287.85.~~ in accordance with the
24 following:

25 (1) In computing Louisiana taxable income, no federal income tax deduction
26 shall be allowed on net income upon which no Louisiana income tax has been
27 incurred, or upon which, for any reason whatsoever, no Louisiana income tax will
28 be paid. When computing Louisiana taxable income, the secretary may consider

1 reductions to the federal income tax deduction in accordance with the provisions of
2 this Paragraph.

3 (2) The alternative minimum tax is a federal income tax deductible to the
4 extent that it is applicable to regular federal taxable income. Any alternative
5 minimum tax paid on tax preference items shall not be deductible. In accordance
6 with the provisions of this Paragraph, the secretary may determine the deductible
7 portion of the alternative minimum tax.

8 (3) For purposes of this Section, federal income taxes shall include taxes
9 based on net income, accumulated earnings, war profits, excess profits, personal
10 holding company income, and tax from recomputation of investment credit. For
11 purposes of federal income taxation as compared to the computation of net income
12 under this Part, proper adjustment shall be made for the actual tax rates as applied
13 to different classes of income and for all differences in the computation of net
14 income. The amount of the federal income tax deduction shall be that portion of the
15 total federal income tax, after application of all credits, which is levied on income
16 derived solely from sources in this state as computed under the rules and regulations
17 prescribed by the secretary.

18 (4) As used in this Subsection, the term "credits" shall not include
19 overpayments of prior year taxes allowed as a credit, estimated tax payments or
20 similar prepayments, credit for prior year alternative minimum tax that is allowed as
21 a credit against the current regular federal income tax, or federal income tax credits
22 determined by the secretary to be presidential disaster area disaster relief credits.

23 * * *

24 §300.7. Louisiana taxable income of nonresident estate or trust

25 A. Definition. "Louisiana taxable income" of a nonresident estate or trust
26 means ~~such~~ the portion of the taxable income of the nonresident estate or trust
27 determined in accordance with federal law for the same taxable year, as specifically
28 modified by the provisions contained in Subsection C of this Section, that was earned

Summary of Amendments Adopted by House

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

1. Adds contingent effectiveness on Jan. 1, 2018, for proposed law if HB Nos. 119, 355, and 357 of this 2017 R.S. of the Legislature are enacted and become effective.