
DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 363 Engrossed

2017 Regular Session

Ivey

Abstract: Limits applicability, extends the carryover period, and changes the order of the loss year for the net operating loss deduction to corporate income and repeals the deduction for I.R.C. 280 wage expenses.

Present law provides for a deduction from corporate income tax for 72% of the amount of net operating loss (NOL) incurred in La., but prohibits the amount of the deduction from exceeding 72% of the value of La. net income. Any amount of net operating loss in excess of the amount that may be deducted may be carried over to each of the 20 taxable years immediately following the tax year of the loss.

Proposed law increases the number of taxable years any excess net operating loss may be carried over from 20 years to 30 years for taxable years beginning on or after Jan. 1, 2018.

Present law requires net operating loss to be applied for purposes of reducing La. net income in order of the year of the loss, beginning with the most recent taxable year.

Proposed law changes present law by requiring net operating loss from the earliest tax year to be applied first.

Proposed law changes the amount of the deduction that may be applied against the taxpayer's tax liability as follows:

- (1) If the taxpayer has \$250M or more of available NOL, the amount of the deduction shall not exceed 50% of the taxable income prior to application of the NOL.
- (2) If the taxpayer has at least \$100M, but less than \$250M, of available NOL, the amount of the deduction shall not exceed 60% of the taxable income prior to application of the NOL.
- (3) If the taxpayer has at least \$50M, but less than \$100M, of available NOL, the amount of the deduction shall not exceed 70% of the taxable income prior to application of the NOL.
- (4) If the taxpayer has at least \$25M, but less than \$50M, of available NOL, the amount of the deduction shall not exceed 80% of the taxable income prior to application of the NOL.
- (5) If the taxpayer has at least \$10M, but less than \$25M, of available NOL, the amount of the deduction shall not exceed 90% of the taxable income prior to application of the NOL.

- (6) If the taxpayer has less than \$10M of available NOL, the amount of the deduction shall not exceed the amount of taxable income prior to application of the NOL.

Present law 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.

Proposed law repeals present law.

Proposed law applies to all taxable years beginning on or after Jan. 1, 2018.

Effective Jan. 1, 2018, if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 356 of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective and if the Acts which originated as House Bill Nos. 357, 358, 359, 360, 361, 362, and 364 of this 2017 R.S. of the Legislature are enacted and become effective.

(Amends R.S. 47:287.86(A), (B), and (C)(2); Repeals R.S. 47:287.73(C)(4))

Summary of Amendments Adopted by House

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

1. Increase the carryover period for net operating loss deduction from 20 years to 30 years for taxable years beginning on and after Jan. 1, 2018.
2. Change the application order of net operating loss from the most recent year to the earliest year of loss.
3. Add contingent effectiveness on Jan. 1, 2018, for proposed law if the proposed amendment of Art. VII of the Constitution of La. contained in the Act which originated as House Bill No. 356 of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective and if HB Nos. 357, 358, 359, 360, 361, 362, and 364 of this 2017 R.S. of the Legislature are enacted and become effective.
4. Make technical changes.