2019 Regular Session

HOUSE BILL NO. 332

BY REPRESENTATIVE STOKES

TAX CREDITS: Repeals certain eligibility requirements for qualifying for the tax credit for taxes paid to other states and authorizes a deduction for certain entity-level taxes paid to other states

1	AN ACT
2	To amend and reenact R.S. 47:33(A)(3) and (7)(a) and Section 4 of Act No. 109 of the 2015
3	Regular Session of the Legislature as amended by Section 2 of Act No. 6 of the 2018
4	Second Extraordinary Session and to repeal R.S. 47:33(4) and Section 2 of Act No.
5	109 of the 2015 Regular Session of the Legislature, relative to tax credits; to provide
6	with respect to the tax credit for taxes paid to other states; to provide for limitation
7	on the deduction for taxes paid to other states under certain circumstances; to provide
8	for certain definitions; to repeal provisions authorizing the credit for taxes paid to
9	other states if the other state provides for a similar credit; to provide for an effective
10	date; and to provide for related matters.
11	Be it enacted by the Legislature of Louisiana:
12	Section 1. R.S. $47:33(A)(3)$ and $(7)(a)$ is hereby amended and reenacted to read as
13	follows:
14	§33. Credit for taxes paid in other states
15	A. Subject to the following conditions, resident individuals shall be allowed
16	a credit against the taxes imposed by this Chapter for net income taxes imposed by
17	and paid to another state on income taxable under this Chapter, provided that:
18	* * *

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	(3) The credits provided for in this Section shall be allowed only for the
2	same taxable period as that for which the tax liability to the other state arose,
3	irrespective of the method of accounting employed by the taxpayer. No deduction
4	shall be allowed under R.S. 47:55 for any net income taxes paid to another state if
5	any portion of such tax has been claimed as a credit under this Section. For taxes
6	paid on or after January 1, 2019, no deduction shall be allowed in accordance with
7	the provisions of this Section for any net income taxes paid to another state if any
8	portion of the tax has been claimed as a credit in accordance with the provisions of
9	this Section.
10	* * *
11	(7)(a) For taxes paid on or after January 1, 2018, an individual partner,
12	member, or shareholder that pays another state's entity-level tax that is based solely
13	upon net income included in the entity's federal taxable income without any capital
14	component shall be allowed a deduction equal to their proportionate share of the
15	entity-level tax paid. The term "entity-level tax" for purposes of this Paragraph shall
16	include a franchise tax that has been interpreted to be an income tax.
17	* * *
18	Section 2. Section 4 of Act No. 109 of the 2015 Regular Session of the Legislature
19	as amended by Section 2 of Act No. 6 of the 2018 Second Extraordinary Session is hereby
20	amended and reenacted to read as follows:
21	* * *
22	Section 4. The provisions of Sections 1 and 3 of this Act shall become
23	effective on July 1, 2015, and shall remain effective through June 30, 2023, at which
24	time the provisions of Sections 1 and 3 of this Act shall become null, void, and of no
25	effect. The provisions of Section 4 of this Act shall become effective on July 1,
26	2015. The provisions of Section 2 of this Act shall become effective on July 1, 2023.
27	* * *
28	Section 3. R.S. 47:33(4) and Section 2 of Act No. 109 of the 2015 Regular Session
29	of the Legislature are hereby repealed in their entirety.

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- 1 Section 4. This Act shall become effective upon signature by the governor or, if not
- 2 signed by the governor, upon expiration of the time for bills to become law without signature
- 3 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
- 4 vetoed by the governor and subsequently approved by the legislature, this Act shall become
- 5 effective on the day following such approval.

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 332 Original	2019 Regular Session	Stokes
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Abstract: Repeals the limitation that the tax credit for taxes paid to other states can only be allowed if the other state provides a similar credit and extends the deduction for certain entity-level taxes paid to other states to include franchise taxes that have been interpreted to be income taxes.

<u>Present law</u> authorizes an individual income tax credit in an amount equal to income taxes paid for the same taxable period to another state on income that is subject to La. tax. <u>Present</u> <u>law</u> conditions the credit upon whether the other state in which the taxpayer paid the income taxes authorizes a similar credit.

<u>Proposed law</u> repeals the limitation that the credit can only be allowed if the other state provides a similar credit.

<u>Present law</u> limits application of the credit to the same taxable period as that for which the tax liability to the other state arose and prohibits a deduction shall be allowed for any net income taxes paid to another state if any portion of the tax has been claimed as a credit pursuant to <u>present law</u>.

<u>Proposed law</u> retains <u>present law</u> but adds a specification that for taxes paid on or after Jan. 1, 2019, no deduction shall be allowed for any net income taxes paid to another state if any portion of the tax has been claimed as a credit in accordance with the provisions of <u>present law</u>.

<u>Present law</u> provides for termination (sunset) on June 30, 2023, of those provisions of <u>present law</u> that limit the credit to the lesser of the actual amount of tax paid to the other state or the amount of La. income tax that would have been imposed if the income had been earned in La., the requirement that the state to which income taxes were paid authorize a similar credit, and the requirement that the credit amount be the lesser of the actual amount of tax paid to the other state or the amount of La. income tax that would have been imposed if the income had been imposed if the income had been imposed if the other state or the amount of La.

<u>Present law</u> additionally provides for the termination on June 30, 2023, of those provisions that prohibit the credit for tax paid on income that is not subject to tax in this state. Further provides that the amount of the credit shall not exceed the ratio of La. income tax liability before consideration of certain credits authorized in <u>present law</u> by a fraction, the numerator of which is the taxpayer's La. tax table income attributable to other states to which net income taxes were paid by a resident individual, and the denominator of which is total La. tax table income.

<u>Proposed law</u> repeals the sunset in <u>present law</u> thereby making the provisions of <u>present law</u> permanent.

<u>Present law</u> provides that for taxes paid on or after Jan. 1, 2018, an individual partner, member, or shareholder who pays another state's entity-level tax that does not have a capital component shall be allowed a deduction of their proportionate share of the entity-level tax paid.

<u>Proposed law</u> retains <u>present law</u> but adds that a franchise tax that has been interpreted to be an income tax shall be considered an "entity-level tax".

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:33(A)(3) and (7)(a) and §4 of Act No. 109 of the 2015 R.S. as amended by §2 of Act No. 6 of the 2018 2 E.S.; Repeals R.S. 47:33(4) and §2 of Act No. 109 of the 2015 R.S.)