

First Extraordinary Session, 2005

SENATE BILL NO. 42

BY SENATORS MOUNT AND MURRAY

TAX/TAXATION. Prevents an increase in Louisiana income tax because of a reduction in federal income taxes as a result of (1) a federal credit if the secretary determines that the credit is a hurricane disaster relief credit granted, or (2) a casualty loss incurred as a result of the hurricanes. (gov sig)

1 AN ACT

2 To amend and reenact R.S. 47:287.85(C)(2) and R.S. 47:293(3), relative to income tax of
3 estates and trusts, corporations, and individuals; to provide that the Louisiana federal
4 income tax deduction shall not be reduced by the amount of certain federal disaster
5 relief tax credits; to provide for an effective date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:287.85(C)(2) and R.S. 47:293(3) are hereby amended and
8 reenacted to read as follows:

9 §287.85. Federal income tax deduction

10 * * *

11 C. * * *

12 (2) "Credits" as used in this Subsection does not include overpayments of
13 prior year taxes allowed as a credit, estimated tax payments or similar prepayments,
14 ~~or~~ credit for prior year alternative minimum tax which is allowed as a credit against
15 the current federal regular income tax, **or federal income tax credits determined**
16 **by the secretary to be presidential disaster area disaster relief credits.**

17 * * *

1 §293. Definitions

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

4 * * *

5 (3) "Federal income tax liability," for the purpose of this Part, means the total
6 amount of tax due to the United States for the taxable period on the individual
7 income tax return required to be filed by any taxpayer, except that:

8 (a) Social security taxes and self-employment taxes shall not be included.

9 **(b)(i) For taxable years beginning on or after January 1, 2005, the**
10 **federal income tax liability shall be increased by all of the following:**

11 **(aa) Any federal income tax credits determined by the secretary to be**
12 **disaster relief credits granted for the Hurricane Katrina or Hurricane Rita**
13 **presidential disaster areas.**

14 **(bb) The amount by which an individual's federal income tax due to the**
15 **United States for the taxable period was decreased as a result of claiming a**
16 **deduction for casualty losses if the secretary determines that such loss was**
17 **incurred as a result of hurricanes Katrina or Rita in a presidential disaster**
18 **area.**

19 **(ii) Any determination to be made by the secretary as provided for in this**
20 **Subparagraph shall be made in accordance with rules and regulations**
21 **promulgated by the secretary and approved by the Senate Revenue and Fiscal**
22 **Affairs Committee and the House Committee on Ways and Means meeting**
23 **jointly.**

24 * * *

25 Section 2. This Act shall be effective for all taxable periods beginning after
26 December 31, 2004.

27 Section 3. This Act shall become effective upon signature by the governor or, if not
28 signed by the governor, upon expiration of the time for bills to become law without signature
29 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If

- 1 vetoed by the governor and subsequently approved by the legislature, this Act shall become
2 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Riley Boudreaux.

DIGEST

Mount (SB 42)

Present constitution allows Louisiana income tax payers to deduct the amount of the federal income tax paid from their Louisiana income - the FIT Deduction.

Present law provides that the FIT Deduction is the amount due to the federal government after all federal credits [which reduce federal taxes paid] are deducted.

Proposed law provides that the FIT Deduction will not be reduced [and therefore a taxpayer's La. income tax will go up] by a federal credit if the secretary of the Department of Revenue determines that the credit is a disaster relief credit granted for the Hurricane Katrina or Hurricane Rita presidential disaster areas.

Proposed law provides that the FIT Deduction for individuals also will not be reduced if the individual's federal income tax was reduced as a result of claiming a deduction for a casualty loss if the secretary determines that the loss was incurred as a result of hurricanes Katrina or Rita in a presidential disaster area.

Any determination to be made by the secretary is to be made in accordance with rules and regulations promulgated by the secretary and approved by the Senate Revenue and Fiscal Affairs Committee and the House Committee on Ways and Means meeting jointly.

Effective for taxable periods beginning after December 31, 2004.

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

(Amends R.S. 47:287.85(C)(2) and 293(3))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill.

1. Prevents an increase in Louisiana income tax because of a reduction in federal income taxes as a result of a casualty loss incurred as a result of the hurricanes. (gov sig)
2. Requires regulations of the secretary pertaining to individuals to be approved by the standing committees before they are adopted.