HLS 17RS-641 ORIGINAL

2017 Regular Session

HOUSE BILL NO. 363

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BY REPRESENTATIVE IVEY

TAX/CORP INCOME: Caps the amount of losses a taxpayer may claim on certain tax returns for the net operating loss deduction and repeals the deduction for certain wage expenses

AN ACT

2 To amend and reenact R.S. 47:287.86(A) and to repeal R.S. 47:287.73(C)(4), relative to 3 corporate income tax; to provide for the deduction for net operating loss; to limit 4 application of the net operating loss deduction; to repeal the deduction for wage 5 expenses; to provide for applicability; to provide for effectiveness; and to provide 6 for related matters. 7 Be it enacted by the Legislature of Louisiana: 8 Section 1. R.S. 47:287.86(A) is hereby amended and reenacted to read as follows: 9 §287.86. Net operating loss deduction 10 A. Deduction from Louisiana net income. (1) Except as otherwise provided, 11 for all claims for this deduction on any return filed on or after July 1, 2015, 12 regardless of the taxable year to which the return relates, there shall be allowed for 13 the taxable year a deduction reducing Louisiana net income in an amount equal to 14 seventy-two percent of the net operating loss carryovers to such year, but the 15 deduction shall never exceed seventy-two percent of Louisiana net income. The 16 maximum amount of net operating loss carryover that may be applied in each taxable 17 year shall be as calculated in Paragraph (2) of this Subsection. 18 (2) For all taxable periods beginning on or after January 1, 2018, the amount 19 of net operating loss carryover that may be applied in each taxable year shall be

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

1	determined based upon the taxpayer's total amount of net operating loss available.
2	In each taxable year for which the net operating loss carryover is claimed, the portion
3	of net operating loss carryover that may be applied in that taxable year shall be as
4	<u>follows:</u>
5	(a) If the total amount of net operating loss carryover available to the
6	taxpayer is two hundred fifty million dollars or greater, the amount of net operating
7	loss carryover that may be applied against tax liability shall not exceed fifty percent
8	of the taxpayer's taxable income as determined prior to application of the net
9	operating loss carryover.
10	(b) If the total amount of net operating loss carryover available to the
11	taxpayer is at least one hundred million dollars, but less than two hundred fifty
12	million dollars, the amount of net operating loss carryover that may be applied
13	against tax liability shall not exceed sixty percent of the taxpayer's taxable income
14	as determined prior to application of the net operating loss carryover.
15	(c) If the total amount of net operating loss carryover available to the
16	taxpayer is at least fifty million dollars, but less than one hundred million dollars, the
17	amount of net operating loss carryover that may be applied against tax liability shall
18	not exceed seventy percent of the taxpayer's taxable income as determined prior to
19	application of the net operating loss carryover.
20	(d) If the total amount of net operating loss carryover available to the
21	taxpayer is at least twenty-five million dollars, but less than fifty million dollars, the
22	amount of net operating loss carryover that may be applied against tax liability shall
23	not exceed eighty percent of the taxpayer's taxable income as determined prior to
24	application of the net operating loss carryover.
25	(e) If the total amount of net operating loss carryover available to the
26	taxpayer is at least ten million dollars, but less than twenty-five million dollars, the
27	amount of net operating loss carryover that may be applied against tax liability shall
28	not exceed ninety percent of the taxpayer's taxable income as determined prior to
29	application of the net operating loss carryover.

1 (f) If the total amount of net operating loss carryover available to the 2 taxpayer is less than ten million dollars, the amount of net operating loss carryover 3 that may be applied against tax liability shall not exceed the amount of taxable 4 income as determined prior to application of the net operating loss carryover. 5 6 Section 2. R.S. 47:287.73(C)(4) is hereby repealed in its entirety. Section 3. Not withstanding the provisions of Section 6 of Act No. 123 of the 2015 7 8 Regular Session, R.S. 47:287.73(C)(4) as enacted by Section 3 of Act No. 123 of the 2015 9 Regular Session shall not become effective. 10 Section 4. This Act shall become effective January 1, 2018 shall be applicable to all 11 taxable periods beginning on or after January 1, 2018.

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 Original

2017 Regular Session

Ivey

Abstract: Limits applicability of the net operating loss deduction to corporate income and repeals the deduction for I.R.C. 280 wage expenses.

<u>Present law</u> 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.

<u>Proposed law</u> 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.

<u>Present law</u> 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 January 1, 2018.

Effective January 1, 2018.

(Amends R.S. 47:287.86(A); repeals R.S. 47:287.83(C)(4))