HLS 17RS-1275 ORIGINAL

2017 Regular Session

HOUSE BILL NO. 630

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BY REPRESENTATIVE JAMES

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

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 provide for applicability; to provide for an effective date; and to provide for related 6 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

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sources in this state to be computed in accordance with rules and regulations of the

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

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

B. The net income of a corporation subject to the tax imposed by this Chapter shall be the sum of the net allocable income earned within or derived from

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

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25 §293. Definitions

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

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

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§300.6. Louisiana taxable income of resident estate or trust

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

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

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this Paragraph.
(2) The alternative minimum tax is a federal income tax deductible to the
extent that it is applicable to regular federal taxable income. Any alternative
minimum tax paid on tax preference items shall not be deductible. In accordance
with the provisions of this Paragraph, the secretary may determine the deductible
portion of the alternative minimum tax.
(3) For purposes of this Section, federal income taxes shall include taxes
based on net income, accumulated earnings, war profits, excess profits, personal
holding company income, and tax from recomputation of investment credit. For
purposes of federal income taxation as compared to the computation of net income
under this Part, proper adjustment shall be made for the actual tax rates as applied
to different classes of income and for all differences in the computation of net
income. The amount of the federal income tax deduction shall be that portion of the
total federal income tax, after application of all credits, which is levied on income
derived solely from sources in this state as computed under the rules and regulations
prescribed by the secretary.
(4) As used in this Subsection, the term "credits" shall not include
overpayments of prior year taxes allowed as a credit, estimated tax payments or
similar prepayments, credit for prior year alternative minimum tax that is allowed as
a credit against the current regular federal income tax, or federal income tax credits
determined by the secretary to be presidential disaster area disaster relief credits.
* * *
§300.7. Louisiana taxable income of nonresident estate or trust
A. Definition. "Louisiana taxable income" of a nonresident estate or trust
means such the portion of the taxable income of the nonresident estate or trust
determined in accordance with federal law for the same taxable year, as specifically
modified by the provisions contained in Subsection C of this Section, that was earned

reductions to the federal income tax deduction in accordance with the provisions of

1 within or derived from sources within this state, less a federal income tax deduction 2 to be computed following the provisions of R.S. 47:287.83 and 287.85 R.S. 47:300.6. 3 4 Section 2. R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298 are hereby repealed 5 in their entirety. 6 Section 3. The provisions of this Act shall be applicable for all taxable periods 7 beginning on and after January 1, 2018. 8 Section 4. This Act shall take effect and become operative if and when the proposed 9 amendment of Article VII of the Constitution of Louisiana contained in the Act which 10 originated as House Bill No. 347 of this 2017 Regular Session of the Legislature is adopted 11 at a statewide election and becomes effective.

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 630 Original

2017 Regular Session

James

Abstract: Repeals statutory provisions relative to the deductibility of federal income taxes paid for purposes of calculating individual income taxes.

<u>Present constitution</u> and <u>present law</u> authorize a state deduction for federal income taxes paid for purposes of computing individual and corporate income taxes for the same period.

<u>Proposed law</u> repeals the state deduction for federal income taxes paid for purposes of calculating individual income taxes.

Applicable for all taxable periods beginning on or after Jan. 1, 2018.

Effective if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 347 of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:241, 293(10), 300.6(A), and 300.7(A); Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298)