

2025 Regular Session

HOUSE BILL NO. 567

BY REPRESENTATIVE BACALA

AN ACT

To amend and reenact R.S. 47:112.2(A), 248(B)(1)(a), 287.732, 287.732.1, 287.732.2(A)(1), and 1675(F)(1) and to repeal R.S. 39:2(15.1)(a) through (c), (k), (v), (x), and (y) and R.S. 47:248(B)(1)(d), 287.750(I), and 1675(G), relative to income tax; to provide with respect to corporate taxation; to provide for credits, deductions, exclusions, and exemptions applicable to corporation income tax; to provide for tax treatment of entities taxed as S corporations for federal income tax purposes; to provide for credits granted or allocated to S corporations; to repeal the S corporation exclusion; to provide for tax treatment of qualified Subchapter S subsidiaries; to provide for the calculation and utilization of certain S corporation carry-forward and carry-back amounts; to provide for the application of certain income tax credits; to provide for filing of composite returns; to provide with respect to the mobile workforce employer exemption; to remove the sunset from the Louisiana work opportunity tax credit; to provide relative to tax credits classified as incentive expenditures; to provide for definitions; to provide for applicability; to provide for effectiveness; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 47:112.2(A), 248(B)(1)(a), 287.732, 287.732.1, 287.732.2(A)(1), and 1675(F)(1) are hereby amended and reenacted to read as follows:

§112.2. Mobile workforce employer exemption from withholding and reporting requirement

A. ~~Beginning January 1, 2022, except~~ Except as otherwise provided in this Section, an employer is not required to withhold taxes ~~under~~ pursuant to R.S. 47:112

on wages that are paid to an employee described in R.S. 47:248. If, during the calendar year, the number of days an employee spends performing employment duties for the employer and any entity related to the employer in this state exceeds the ~~twenty-five-day~~ thirty-day threshold described in R.S. 47:248(B)(1)(a), an employer shall withhold and remit tax to this state for every day in that calendar year, including the first ~~twenty-five~~ thirty days during which the employee performed employment duties in this state.

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§248. Exemption for certain nonresident individuals; mobile workforce

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B.(1) Beginning January 1, 2022, wages, as defined by R.S. 47:111, paid to a nonresident individual are exempt from the tax levied ~~under~~ pursuant to R.S. 47:290 et seq. if all of the following conditions apply:

(a) The compensation is paid for employment duties performed by the individual in this state for ~~twenty-five~~ thirty or fewer days in the calendar year.

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§287.732. S corporations

~~A. Taxation of S corporation. A corporation classified under Subchapter S of the Internal Revenue Code as an S corporation shall be taxed and required to comply with this Part the same as any other corporation. Except as provided in Subsection C of this Section, the provisions of this Part shall apply as if the S corporation had been required to file an income tax return with the Internal Revenue Service as a C corporation for the current and all prior taxable years, in accordance with federal law.~~

~~B. S corporation exclusion. This Subsection provides an exclusion to corporations classified as S corporations under federal law for the taxable year, as follows:~~

~~(1) In computing Louisiana taxable income pursuant to this Part, an S corporation that does not make an election pursuant to R.S. 47:287.732.2 may~~

1 ~~exclude such percentage of its Louisiana net income for the taxable year as is~~
2 ~~provided in Paragraph (2) of this Subsection.~~

3 ~~(2) The excludable percentage of Louisiana net income is determined by~~
4 ~~multiplying Louisiana net income for a taxable year by a ratio, the numerator of~~
5 ~~which is the number of issued and outstanding shares of capital stock of the S~~
6 ~~corporation which are owned by Louisiana resident individuals on the last day of the~~
7 ~~corporation's taxable year, and the denominator of which is the total number of~~
8 ~~issued and outstanding shares of capital stock of the corporation on the last day of~~
9 ~~the corporation's taxable year, provided that no share shall be allowed to be counted~~
10 ~~in the numerator unless its owner has for the taxable year of inclusion filed a correct~~
11 ~~and complete Louisiana individual income tax return as a resident.~~

12 ~~(3) For purposes of Paragraph (2) of this Subsection:~~

13 ~~(a) "Taxable year of inclusion" means the taxable year of the S corporation~~
14 ~~shareholder which includes the last day of the S corporation's taxable year for which~~
15 ~~the exclusion is claimed.~~

16 ~~(b) The term "resident individual" includes resident estates and trusts to the~~
17 ~~extent that such are allowed to be S corporation shareholders pursuant to federal law.~~

18 ~~(4) In the application of Paragraph (2), the term "Louisiana resident~~
19 ~~individual" shall be construed to include a nonresident individual share holder who~~
20 ~~has for the taxable year filed a correct and complete Louisiana individual income tax~~
21 ~~return, which includes his share of the S corporation's income, and has paid the tax~~
22 ~~shown to be due thereon.~~

23 ~~(5) Should an S corporation incur a Louisiana net loss, as described in R.S.~~
24 ~~47:287.91, a percentage of such loss shall be excluded from carry-back or carry-over~~
25 ~~treatment notwithstanding the provisions of R.S. 47:287.86. The applicable~~
26 ~~percentage of the Louisiana net loss to be excluded shall be computed using the same~~
27 ~~ratio provided in R.S. 47:287.732(B)(2).~~

28 ~~(6) S corporations that elect to pay tax at the corporation level pursuant to~~
29 ~~R.S. 47:287.732.2 shall not be eligible for this exclusion.~~

~~C. Qualified Subchapter S subsidiary income. The income of a corporation for which an S corporation has made a valid election under the Internal Revenue Code to treat the corporation as a qualified Subchapter S subsidiary shall be included in the income of the S corporation unless the qualified Subchapter S subsidiary is treated as a separate corporation under the provisions of R.S. 47:287.732.1.~~

A. Definitions. As used in this Section, the following words and phrases shall have the meanings ascribed to them in this Subsection unless the context clearly indicates otherwise:

(1) "Code" means the Internal Revenue Code of 1986, as amended, and applicable regulations as promulgated by the Department of Treasury.

(2) "Department" means the Department of Revenue.

(3) "Income attributable to the state" means items of income, loss, deduction, or credit of the S corporation apportionable and allocable to this state pursuant to Part II-A of this Chapter.

(4) "Income not attributable to the state" means all items of income, loss, deduction, or credit of the S corporation other than income attributable to the state.

(5) "Pro rata share" means the share determined with respect to an S Corporation shareholder for a taxable period in the manner provided in Section 1377(a) of the Code.

(6) "S corporation" means a corporation for which a valid election under Section 1362(a) of the Code is in effect.

(7) "Secretary" means the secretary of the Department of Revenue.

B.(1) S corporation requirements. An S corporation shall not be subject to the income tax imposed by this Part, but shall be required to file an annual informational corporation return of income in accordance with this Section.

(2) Each shareholder's pro rata share of an S corporation's income attributable to the state, and each resident shareholder's pro rata share of income not attributable to the state, shall be taken into account by the shareholder in the manner and subject to the adjustments provided in Parts III and VI of this Chapter, as

1 applicable, and Section 1366 of the Code. These amounts shall be subject to the tax
2 levied pursuant to Parts III and VI, as applicable, of this Chapter.

3 (3) Persons carrying on business as shareholders of an S corporation shall
4 be liable for income tax only in their separate or individual capacities.

5 C. Returns. (1) An S corporation incorporated or doing business in this state
6 shall file with the department an annual informational return, on a form prescribed
7 by the secretary, on or before the due date prescribed for the filing of corporation
8 returns in R.S. 47:287.614. The return shall report the name, address, and social
9 security or federal identification number of each shareholder, income attributable to
10 the state, and the income not attributable to the state with respect to each shareholder
11 as defined in Paragraphs (A)(3) and (4) of this Section, and such other information
12 as the secretary may require.

13 (2) S corporation items of income, loss, deduction, and credit taken into
14 account by a shareholder pursuant to Paragraph (B)(1) of this Section are
15 characterized as though received or incurred by the S corporation and not its
16 shareholder.

17 D. Tax credits. For taxable periods beginning on or after January 1, 2026,
18 any credit previously earned by a taxpayer taxed as an S corporation for federal
19 income tax purposes and subject to the provisions of this Section shall flow-through
20 to the shareholders in accordance with the provisions of R.S. 47:1675(F).

21 E. Basis and adjustment. (1) The initial basis of a resident shareholder in the
22 stock of an S corporation, and in any indebtedness of the corporation owed to that
23 shareholder, shall be determined as of the later of the date the stock is acquired, the
24 effective date of the S corporation election, or the date the shareholder became a
25 resident of this state, as provided under the Code.

26 (2) The basis of a resident shareholder in the stock and indebtedness of an
27 S corporation shall be adjusted in the manner and to the extent required by Section
28 1011 of the Code. However, any adjustments made, other than for income exempt
29 from federal or state income taxes, pursuant to Paragraph (B)(2) of this Section shall
30 be taken into account.

1 (3) The initial basis of a nonresident shareholder in the stock of an S
2 corporation, and in any indebtedness of the corporation to that shareholder, shall be
3 zero. The basis of a nonresident shareholder in the stock and indebtedness of an S
4 corporation shall be adjusted as provided in Section 1367 of the Code, except that
5 adjustments to the basis shall be limited to the income taken into account by the
6 shareholder pursuant to Paragraph (B)(2) of this Section.

7 (4) The basis of a shareholder in the stock of an S corporation shall be
8 reduced by the amount allowed as a loss or deduction pursuant to Paragraph (F)(3)
9 of this Section.

10 (5) The basis of a resident shareholder in the stock of an S corporation shall
11 be reduced by the amount of any cash distribution that is not taxable to the
12 shareholder as a result of the application of Paragraph (G)(2) of this Section.

13 (6) For purposes of this Section, a shareholder shall be considered to have
14 acquired stock or indebtedness received by gift at the time the donor acquired the
15 stock or indebtedness, if the donor was a resident of this state at the time of the gift.

16 F. Carryforwards. (1) Carryforwards and carrybacks to and from an S
17 corporation shall be restricted in the manner provided in Section 1371(b) of the
18 Code.

19 (2) The aggregate amount of losses or deductions of an S corporation taken
20 into account by a shareholder pursuant to Paragraph (B)(2) of this Section may not
21 exceed the combined adjusted bases, determined in accordance with Subsection D
22 of this Section, of the shareholder in the stock and indebtedness of the S corporation.

23 (3) Any loss or deduction that is disallowed for a taxable period pursuant to
24 Paragraph (2) of this Subsection shall be treated as incurred by the S corporation in
25 the succeeding taxable period with respect to that shareholder.

26 (4)(a) Any loss or deduction that is disallowed pursuant to Paragraph (2) of
27 this Subsection for the S corporation's last taxable period as an S corporation shall
28 be treated as incurred by the shareholder on the last day of any post-termination
29 transition period.

1 **(b) The aggregate amount of losses and deductions taken into account by a**
2 **shareholder pursuant to Subparagraph (a) of this Paragraph may not exceed the**
3 **adjusted basis of the shareholder in the stock of the corporation determined in**
4 **accordance with Subsection D of this Section at the close of the last day of any**
5 **post-termination transition period and without regard to this Subsection.**

6 **G. Distributions. (1) Subject to the provisions of Paragraph (3) of this**
7 **Subsection, a distribution made by an S corporation with respect to its stock to a**
8 **resident shareholder is taxable to the shareholder as provided in Parts III and VI of**
9 **this Chapter, as applicable, to the extent that the distribution is characterized as a**
10 **dividend or as gain from the sale or exchange of property pursuant to Section 1368**
11 **of the Code.**

12 **(2) Subject to the provisions of Paragraph (3) of this Subsection, any**
13 **distribution of money made by a corporation with respect to its stock to a resident**
14 **shareholder during a post-termination transition period is not taxable to the**
15 **shareholder as provided in Parts III and VI of this Chapter, as applicable, to the**
16 **extent the distribution is applied against and reduces the adjusted basis of the stock**
17 **of the shareholder in accordance with Section 1371(e) of the Code.**

18 **(3) In applying Sections 1368 and 1371(e) of the Code to any distribution**
19 **referred to in this Subsection, all of the following shall apply:**

20 **(a) The term "adjusted basis of the stock" means the adjusted basis of the**
21 **shareholder's stock as determined in accordance with Subsection D of this Section.**

22 **(b) The accumulated adjustments account maintained for each resident**
23 **shareholder must be equal to, and adjusted in the same manner as, the corporation's**
24 **accumulated adjustments account defined in Section 1368(e)(1)(A) of the Code,**
25 **except that the accumulated adjustments account shall be modified in the manner**
26 **provided in Paragraph (E)(2) of this Section.**

27 **H.(1) Payment of Tax. If any resident or nonresident shareholder fails to**
28 **make timely payment of the taxes imposed on the shareholder by this state with**
29 **respect to the shareholder's share of the income of the S corporation, the secretary**

1 may collect the payment directly from the S corporation through any collection
2 remedy authorized by R.S. 47:1561.

3 (2) The payment referred to in Paragraph (1) of this Subsection shall be in an
4 amount equal to the maximum tax rate provided for individuals or trusts and estates,
5 where applicable, multiplied by each delinquent resident or nonresident shareholder's
6 share of the S corporation's income attributable to this state, as reflected on the S
7 corporation's return for the taxable period, plus any interest or appropriate
8 delinquency penalty.

9 (3) Any amount paid by the S corporation to the state pursuant to this
10 Subsection shall be considered to be a payment by the resident or nonresident
11 shareholder on account of the income tax imposed on the resident or nonresident
12 shareholder for the taxable period. To the extent that the payment made on behalf
13 of the resident or nonresident shareholder exceeds the income tax liability of the
14 resident or nonresident shareholder, that resident or nonresident shareholder shall be
15 entitled to a refund, or may elect to utilize such excess as a credit against amounts
16 that may be paid by the S corporation on his behalf with respect to subsequent
17 taxable periods.

18 (4) An S corporation shall be entitled to recover its payment pursuant to this
19 Subsection, including any interest or penalty due, from the resident or nonresident
20 shareholder on whose behalf the payment was made.

21 §287.732.1. ~~Qualified Subchapter S subsidiaries~~ Composite returns for nonresident
22 shareholders

23 ~~A. Taxation of a qualified Subchapter S subsidiary. Except as provided in~~
24 ~~Subsection C of this Section, a corporation treated as a qualified Subchapter S~~
25 ~~subsidiary for purposes of the Internal Revenue Code shall be required to comply~~
26 ~~with this Part the same as any other corporation. The provisions of this Part shall~~
27 ~~apply as if the qualified Subchapter S subsidiary and its parent had been required to~~
28 ~~file income tax returns with the Internal Revenue Service as C corporations for the~~
29 ~~current and all prior taxable years in accordance with federal law.~~

1 ~~B. Special adjustments by the secretary. In addition to the authority granted~~
2 ~~by R.S. 47:287.480, whenever a qualified Subchapter S subsidiary does not qualify~~
3 ~~for the exclusion provided by Subsection C of this Section, the secretary may require~~
4 ~~combined or consolidated reports or returns as may be necessary to properly reflect~~
5 ~~the taxable income earned in Louisiana. This authority shall not limit the secretary's~~
6 ~~authority to require use of the separate accounting method as provided by R.S.~~
7 ~~47:287.94 when the apportionment method produces a manifestly unfair result.~~

8 ~~C. Qualified Subchapter S subsidiary exclusion. An exclusion is allowed for~~
9 ~~corporations classified as qualified Subchapter S subsidiaries under federal law for~~
10 ~~the taxable year as follows:~~

11 ~~(1) In computing Louisiana taxable income pursuant to this Part, a qualified~~
12 ~~Subchapter S subsidiary may exclude all of its Louisiana net income for the taxable~~
13 ~~year, provided that the S corporation that owns the stock of the qualified Subchapter~~
14 ~~S subsidiary files a Louisiana income tax return that includes all of the income of the~~
15 ~~qualified Subchapter S subsidiary in computing its net income for the taxable year.~~

16 ~~(2) If the Louisiana taxable income of a qualified Subchapter S subsidiary~~
17 ~~qualifies for the exclusion provided in Paragraph (1) of this Subsection, the qualified~~
18 ~~Subchapter S subsidiary shall not be treated as a separate corporation, and all assets,~~
19 ~~liabilities, and items of income, deduction, credit, and any other items of the~~
20 ~~qualified Subchapter S subsidiary shall be treated as assets, liabilities, and items of~~
21 ~~income, deduction, credit, and other items of the corporation owning the stock of the~~
22 ~~qualified Subchapter S subsidiary.~~

23 ~~(3) If the Louisiana taxable income of a qualified Subchapter S subsidiary~~
24 ~~is excluded for the taxable year under Paragraph (1) of this Subsection, the S~~
25 ~~corporation that owns the stock of the qualified Subchapter S subsidiary may exclude~~
26 ~~the percentage of the qualified Subchapter S subsidiary's Louisiana net income for~~
27 ~~the taxable year as provided in R.S. 47:287.732(B).~~

28 A. For purposes of this Section, the following terms shall have the meanings
29 ascribed to them in this Subsection:

1 (1) "Composite payment" means a payment filed with a composite return
2 which remits the Louisiana income tax of an S corporation's nonresident shareholder.

3 (2) "Composite return" means a return filed by an entity treated as an S
4 corporation on behalf of all of its nonresident shareholders which reports and remits
5 the Louisiana income tax of the nonresident shareholder.

6 (3) "Department" means the Department of Revenue.

7 (4) "Income attributable to the state" means items of income, loss, deduction
8 or credit of the S corporation apportionable and allocable to this state pursuant to
9 Part II-A of this Chapter.

10 (5) "S corporation" means a corporation for which a valid election under
11 Section 1362(a) of the Code is in effect.

12 B.(1) Beginning January 1, 2026, each entity treated as an S corporation for
13 federal income tax purposes which engages in activities in this state may file
14 composite returns and make composite payment of tax on behalf of any or all of its
15 nonresident shareholders.

16 (2) The payment referred to in Paragraph (1) of this Subsection shall be in
17 an amount equal to the maximum tax rate provided for individuals or trusts and
18 estates, as applicable, multiplied by the nonresident shareholder's share of the S
19 corporation's income attributable to this state, as reflected on the S corporation's
20 return for the taxable period.

21 (3) Any amount paid by the S corporation to the state pursuant to this
22 Subsection shall be considered to be a payment by the nonresident shareholder on
23 account of the income tax imposed on the nonresident shareholder for the taxable
24 period. To the extent that the payment made on behalf of the nonresident
25 shareholder exceeds the income tax liability of the nonresident shareholder, that
26 nonresident shareholder shall be entitled to a refund, or may elect to utilize the
27 excess as a credit against amounts that may be paid by the S corporation on his
28 behalf with respect to subsequent taxable periods.

29 (4) A nonresident shareholder in an S corporation shall not be required to file
30 a Louisiana income tax return when the only income from Louisiana sources is the

shareholder's share of the S corporation's income attributable to this state for the taxable period and the S corporation pays the tax on the shareholder's behalf pursuant to this Section.

C. Credits and overpayments claimed on composite returns.

(1) Notwithstanding the provisions of R.S. 47:1675(F) or any other provision of law to the contrary, when a composite return is filed, each nonresident shareholder of the S corporation shall claim his respective share of any credit earned by the S corporation for the applicable tax period in which the credit was earned.

(2) Credits claimed on a composite return shall not be allowed or claimed on any other return submitted on behalf of or by a shareholder for the same taxable period.

(3) When a composite return reflects an overpayment that is determined to be correct by the department, the overpayment shall be paid to the S corporation that filed the composite return.

(4) Composite returns shall be filed electronically. The department may promulgate rules and regulations in accordance with the Administrative Procedure Act necessary for implementation of this Paragraph and may further define and require the necessary methods for filing, signing, subscribing or verifying a return, statement, or other documents required for such implementation.

§287.732.2. Election for S corporations and other flow-through entities

A.(1) Any S corporation or entity taxed as a partnership for federal income tax purposes may elect to be taxed and to comply with this Part in the same manner as if the entity had been required to file an income tax return with the Internal Revenue Service as a C corporation. ~~S corporations that make this election shall not be eligible for the exclusion provided in R.S. 47:287.732.~~

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§1675. General administrative provisions for credits against income and corporation franchise tax

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~~F. Credits granted, allocated, or transferred to entities not subject to Louisiana income tax or corporation franchise tax~~ Application of Credit.

(1) Unless otherwise provided in the statute granting the credit, credits earned, granted, allocated, or transferred shall be claimed as follows:

(a) All entities taxed as a C corporation for federal income tax purposes shall claim any credit allowed on their corporation income tax return.

~~(b)(i) Unless otherwise provided in the statute granting the credit, if~~ If an entity not subject to Louisiana income tax ~~or corporation franchise tax~~ acquires an income ~~or franchise~~ tax credit, the credit shall flow through to partners or members as provided in the operating agreement of the entity or shareholders as provided in the corporate bylaws of the S corporation. In the absence of an operating agreement ~~or corporate bylaws,~~ the credit shall flow through to each partner or member in accordance ~~to~~ with the partner or member's ownership interest in the entity, ~~or to each shareholder in accordance with the number of issued and outstanding shares of capital stock of the S corporation which are owned by the shareholder relative to the total number of issued and outstanding shares of capital stock of the S corporation on the last day of the S corporation's taxable year.~~

(ii) Partners or members that are C corporations shall claim their share of the credit on their corporate income tax return.

(iii) Partners, members or shareholders of an S corporation that are individuals shall claim their share of the credit on their individual income tax return.

(iv) Partners, members or shareholders of an S corporation that are estates or trusts shall claim their share of the credit on their fiduciary income tax return.

(c) Estates or trusts shall claim any credit allowed on their fiduciary income tax return.

(d) Individuals shall claim any credit allowed on their individual income tax return.

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Section 2. R.S. 39:2(15.1)(a) through (c), (k), (v), (x), and (y) and R.S. 47:248(B)(1)(d), 287.750(I), and 1675(G) are hereby repealed in their entirety.

Section 3. The provisions of this Act shall apply to income tax periods beginning on or after January 1, 2026.

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.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____