

RÉSUMÉ DIGEST

ACT 413 (HB 618)

2023 Regular Session

Willard

Existing law authorizes an income tax credit for resident individuals for net income taxes imposed by and paid to another state on income taxable in La. if certain conditions are met.

Existing law limits the credit to the amount of La. income tax that would have been imposed if the income earned in the other state had been earned in La. and prohibits the credit for tax paid on income that is not subject to tax in La. Existing law provides that the amount of the credit shall not exceed the ratio of multiplying the taxpayer's La. income tax liability before consideration of the credit authorized in existing law 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.

Existing law prohibits the credit for income taxes paid to a state that allows a nonresident a credit against the income taxes imposed by that state for taxes paid or payable to the state of residence.

Prior law would have repealed certain limitations in existing law effective July 1, 2023.

New law provides that prior law shall not become effective.

Prior law provided that the credit would only be allowed if the other state provides a similar credit for La. income taxes paid on income derived from property located in, or from services rendered in, or from business transacted in La.

New law repeals prior law.

Existing law provides that for taxes paid on or after January 1, 2018, an individual partner, member, or shareholder that pays another state's entity-level tax that is based solely upon net income included in the entity's federal taxable income without any capital component shall be allowed a deduction equal to their proportionate share of the entity-level tax paid. The deduction shall only be allowed to the extent that the proportionate share of the related income on the tax paid to the other state is included in the calculation of La. taxable income that is reported on the La. return of the individual partner or member.

New law specifies that the deduction authorized in existing law is in lieu of the credit authorized in existing law.

New law limits the credit for taxes paid to other states to taxes paid and reported to the other state on taxable income which is computed in accordance with income tax laws and regulations of the other state.

New law applies to taxable years beginning on or after January 1, 2023.

Effective upon signature of governor (June 15, 2023).

(Amends R.S. 47:33 and §4 of Act No. 109 of 2015 R.S. as amended by Act No. 6 of 2018 2 E.S.)