

## CONFERENCE COMMITTEE REPORT

SB 6

2016 Second Extraordinary Session

Morrell

June 23, 2016

To the Honorable President and Members of the Senate and to the Honorable Speaker and Members of the House of Representatives.

Ladies and Gentlemen:

We, the conferees appointed to confer over the disagreement between the two houses concerning Senate Bill No. 6 by Senator Morrell, recommend the following concerning the Reengrossed bill:

1. That House Floor Amendment No. 1 proposed by Representative Stokes and adopted by the House on June 20, 2016 be adopted.
2. That House Floor Amendment No. 2 proposed by Representative Stokes and adopted by the House on June 20, 2016 be rejected.
3. That the following amendments to the reengrossed bill be adopted:

AMENDMENT NO. 1

On page 1, line 9, after "B." insert "**(1)**"

AMENDMENT NO. 2

On page 2, line 2, delete "(1)" and insert "**(a)**"

AMENDMENT NO. 3

On page 2, line 6, delete "(2)" and insert "**(b)**"

AMENDMENT NO. 4

On page 2, line 10, delete "credit may" and insert "**excess credit may shall**"

AMENDMENT NO. 5

On page 2, line 13, delete "**(3)**" and insert "**(c)**"

AMENDMENT NO. 6

On page 2, line 15, delete "**one hundred**" and insert "**seventy-five**"

AMENDMENT NO. 7

On page 2, delete lines 16 and 17, and insert:

**"one million dollars of excess credit, and the remaining amount"**

AMENDMENT NO. 8

On page 2, between lines 19 and 20, insert:

**"(2) Each taxpayer allowed a credit under this Section shall claim the credit on its separately filed income or corporate franchise tax return, however for purposes of the application of the limitations on refundability of excess**

**credit provided for in Subparagraphs (1)(a) through (c) of this Subsection, all taxpayers included in one consolidated federal income tax return filed under the Internal Revenue Code shall be treated as a single taxpayer. The secretary shall promulgate rules to ensure that taxpayers affiliated with or related to any other entity through common ownership by the same interests or as parent or subsidiary shall be considered one taxpayer for the purpose of the limitations on refunds provided for in Subparagraphs (1)(a) through (c) of this Subsection.**

**(3)(a) Subparagraphs (1)(a) and (b) of this Subsection shall not apply to any new business entity formed or registered to do business in this state after April 15, 2016.**

**(b) New business entities formed or first registered to do business in this state after April 15, 2016, whose ad valorem taxes paid to all political subdivisions in the taxable year was less than ten thousand dollars shall be refunded all of the excess credit.**

**(c) New business entities formed or first registered to do business in this state after April 15, 2016, whose ad valorem taxes paid to all political subdivisions in the taxable year was ten thousand dollars or more, but no more than one million dollars shall be refunded seventy-five percent of the excess credit, and the remaining twenty-five percent of the credit shall be carried forward as a credit against subsequent tax liability for a period not to exceed five years."**

AMENDMENT NO. 9

On page 2, delete lines 21 through 23, and insert:

"Section 2.(A) The provisions of Section 1 of this Act shall apply to all claims for these credits, as provided for in this Act, on any return filed on or after July 1, 2016, regardless of the taxable year to which the return relates.

(B) The provisions of Section 1 of this Act shall not apply to an amended return filed on or after July 1, 2016, provided that these credits, as provided for in this Act, were properly claimed on an original return filed prior to July 1, 2016."

Respectfully submitted,

Senators:

Representatives:

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Senator John A. Alario, Jr.

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Representative Taylor F. Barras

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Senator Jean-Paul J. Morrell

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Representative Neil C. Abramson

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Senator Daniel "Danny" Martiny

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Representative Julie Stokes

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The legislative instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Leonore F. Heavey.

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## CONFERENCE COMMITTEE REPORT DIGEST

SB 6

2016 Second Extraordinary Session

Morrell

### Keyword and summary of the bill as proposed by the Conference Committee

TAX/AD VALOREM. Provides for the carry forward rather than the refund of a certain portion of the tax credit for ad valorem taxes paid on inventory. (gov sig) (Item #47)

#### Report adopts House amendments to:

1. Provide for applicability in the title.

#### Report rejects House amendments which would have:

1. Caused a technical error in the applicability section.

#### Report amends the bill to:

1. Clarify that taxpayers paying between \$500,001 and \$1,000,000 in ad valorem tax on inventory will only receive a refund of 75% of the credit in excess of their tax liability.
2. Clarify that taxpayers paying over \$1,000,000 in inventory will only receive a refund of 75% of the first one million dollars of inventory tax paid and the remaining excess credit is nonrefundable with a five-year carry forward.
3. Require that taxpayers that are members of a federal consolidated group combine their inventory tax paid in order to determine the amount of the excess credit that is refundable.
4. Provide that for newly created businesses with inventory taxes paid of less than \$10,000, only \$10,000 is refundable and for newly created businesses with inventory taxes paid between \$10,000, but no more than \$1,000,000, only 75% is refundable.

### Digest of the bill as proposed by the Conference Committee

Present law provides for a tax credit against income and corporation franchise tax for 100% of the ad valorem tax paid to political subdivisions on certain inventory.

Present law provides for full refundability of ad valorem taxes paid, for taxpayers whose total payments of ad valorem tax eligible for the credit is less than \$10,000.

Proposed law retains these provisions but increases the amount to be refunded from less than \$10,000 to less than \$500,000.

Present law authorizes refundability for 75% of the tax credit for ad valorem tax paid on inventory for taxpayers whose total payments of ad valorem tax eligible for the credit is \$10,000 or more and provides for a nonrefundable credit for the remaining 25% of the credit that is in excess of the taxpayer's tax liability.

Proposed law provides that if the ad valorem tax paid is more than \$500,000 but less than or equal to \$1,000,000, then the taxpayer is to be refunded 75% of the excess credit and the remaining 25% may be carried forward as a credit against subsequent tax liability for a five-year carry forward.

Proposed law provides that for those taxpayers whose total payments of ad valorem tax eligible for the credit is \$1,000,000 then the taxpayer is to be refunded 75% of the first \$1,000,000 of excess credit and the remaining amount of the credit shall be

carried forward as a credit against subsequent tax liability for a five-year carry forward.

Proposed law requires that taxpayers that are members of a federal consolidated group combine their inventory tax paid in order to determine the amount of the excess credit that is refundable.

Proposed law retains present law provisions for newly created businesses with inventory taxes of less than \$10,000 that only \$10,000 is refundable.

Proposed law limits refundability of the credit for business entities formed after April 15, 2016 that pay over \$10,000 and up to \$1,000,000 or less in ad valorem tax paid on inventory to 75% of tax paid.

Applicable to all tax returns and refund claims filed on or after July 1, 2016, but does not apply to amended returns provided that the credits were properly claimed on an original return filed before July 1, 2016.

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

(Amends R.S. 47:6006(B))