

2018 First Extraordinary Session

SENATE BILL NO. 1

BY SENATOR MORRELL

TAX/TAXATION. Eliminates sunset provision on credit for taxes paid in other states. (Item #5)(gov sig)

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AN ACT

To amend and reenact Section 4 of Act No. 109 of the 2015 Regular Session of the Legislature and R.S. 47:33(A)(5), to enact R.S. 47:33(A)(7), and to repeal Section 2 of Act No. 109 of the 2015 Regular Session of the Legislature, relative to tax credits; to provide with respect to the individual income tax credit for taxes paid to other states; to eliminate the termination of limitations previously enacted; to provide for an effective date; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. Section 4 of Act No. 109 of the 2015 Regular Session of the Legislature is hereby amended and reenacted to read as follows:

Section 4. The provisions of Sections ~~1 and 3~~ **1, 3, and 4** of this Act shall become effective on July 1, 2015, ~~and shall remain effective through June 30, 2018, at which time the provisions of Sections 1 and 3 of this Act shall become null, void, and of no effect. The provisions of Section 4 of this Act shall become effective on July 1, 2015. The provisions of Section 2 of this Act shall become effective on July 1, 2018.~~

Section 2. Section 2 of Act No. 109 of the 2015 Regular Session of the Legislature

1 is hereby repealed in its entirety.

2 Section 3. R.S. 47:33(A)(5) is hereby amended and reenacted and R.S. 47:33(A)(7)  
3 is hereby enacted to read as follows:

4 §33. Credit for taxes paid in other states

5 A. Subject to the following conditions, resident individuals shall be allowed  
6 a credit against the taxes imposed by this Chapter for net income taxes imposed by  
7 and paid to another state on income taxable under this Chapter, provided that:

8 \* \* \*

9 (5)(a)The credit shall be limited to the amount of Louisiana income tax that  
10 would have been imposed if the income earned in the other state had been earned in  
11 Louisiana.

12 **(b) The credit shall not exceed the proportion of the net income tax**  
13 **payable under this Chapter as the income subject to tax in the other state and**  
14 **also taxable under this Chapter bears to the taxpayer's entire income upon**  
15 **which the net income tax is imposed by this Chapter.**

16 \* \* \*

17 **(7) For taxes paid on or after January 1, 2018, an individual partner or**  
18 **member who pays another state's entity level tax that does not have a capital**  
19 **component shall be allowed a deduction of their proportionate share of the**  
20 **entity level tax paid.**

21 Section 4. This Act shall become effective upon signature by the governor or, if not  
22 signed by the governor, upon expiration of the time for bills to become law without signature  
23 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
24 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
25 effective on the day following such approval.

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The original instrument was prepared by Leonore F. Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by James Benton.

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## DIGEST

SB 1 Engrossed

2018 First Extraordinary Session

Morrell

Present law provides for limitations to the individual income tax credit for taxes paid to another state and sunsets the limitations on June 30, 2018.

Proposed law repeals the sunset date and makes the limitations permanent.

Present law provides that the credit for taxes paid in other states shall be limited to the amount of Louisiana income tax that would have been imposed if the income earned in the other state had been earned in Louisiana.

Proposed law retains present law but provides that the credit shall not exceed the proportion of the net income tax payable under present law as the income subject to tax in the other state and also taxable under present law bears to the taxpayer's entire income upon which the net income tax is imposed by present law.

Proposed law retains present law and further provides that for taxes paid on or after January 1, 2018, an individual partner or member who pays another state's entity level tax that does not have a capital component shall be allowed a deduction of their proportionate share of the entity level tax paid.

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

(Amends R.S. 47:33(A)(5) and Section 4 of Act 109 of 2015 R.S.; adds R.S. 47:33(A)(7); repeals Section 2 of Act 109 of 2015 R.S.)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Provides that the credit shall not exceed the proportion of the net income tax payable under Louisiana law.
2. Provides a deduction for another state's entity level tax that does not have a capital component.