

## HOUSE SUMMARY OF SENATE AMENDMENTS

**HB 18**

**2018 Second Extraordinary Session**

**Jackson**

TAX CREDITS: Provides relative to the individual income tax credit for taxes paid to other states (Item #17)

### Synopsis of Senate Amendments

1. Require the deduction to be based on a state's entity level tax that is based solely on net income included in the entity's federal taxable income without any capital component.
2. Authorize the deduction only 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 reported on the La. return.
3. Increase the amount of the earned income tax credit beginning Jan. 1, 2018 from 3.5% to 5% of the federal earned income tax credit amount for any taxable year in which the state sales and use tax rate exceeds 4%.

### Digest of Bill as Finally Passed by Senate

Present law authorizes an individual income tax credit in an amount equal to income taxes paid for the same taxable period to another state on income that is subject to La. tax if the other state authorizes a similar credit.

Present law authorizes a credit for three years in an amount of the lesser of the actual amount of tax paid to the other state or the amount of La. income tax that would have been imposed if the income had been earned in La.

Present law provides for termination (sunset) in three years of those provisions of present law that require the state to which income taxes were paid to authorize a similar credit and that the credit amount be the lesser of the actual amount of tax paid to the other state or the amount of La. income tax that would have been imposed if the income had been earned in La.

Proposed law extends the provisions of present law through June 30, 2023.

Proposed law prohibits the credit for tax paid on income that is not subject to tax in this state. Further provides that the amount of the credit shall not exceed the ratio of La. income tax liability before consideration of certain credits authorized in present 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.

Proposed law provides that for taxes paid on or after Jan. 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.

Proposed law authorizes the deduction pursuant to proposed law only 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 reported on the La. return of the individual partner or member.

Present law provides for an individual income tax credit in an amount equal to 3.5% of the

amount of the taxpayer's federal earned income tax credit authorized under Section 32 of the Internal Revenue Code.

Proposed law increases the amount of the state credit from 3.5% to 5% of the amount of the taxpayers federal tax credit beginning Jan. 1, 2018, for any taxable year in which the state sales and use tax rate exceeds 4%.

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

(Amends R.S. 47:33(A)(5) and 297.8(A) and §4 of Act No. 109 of 2015 R.S.; Adds R.S. 47:33(A)(7))