
DIGEST

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HB 618 Reengrossed

2023 Regular Session

Willard

Abstract: Specifies that the deduction for taxes paid to other states by individual partners, members, or shareholders that pay another state's entity-level tax that is based solely on net income included in the entity's federal taxable income without any capital component is in lieu of the income tax credit for taxes paid to other states.

Present 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.

Present 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. Present 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 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.

Present 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.

Proposed law retains present law. Provides that certain provisions of present law providing for prospective repeal do not become effective.

Present law provides that the credit shall be allowed only 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.

Proposed law repeals present law.

Present 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. 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.

Proposed law retains present law but specifies that the deduction authorized in present law is in lieu of the credit authorized in present law.

Proposed 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.

Proposed law applies to taxable years beginning on or after Jan. 1, 2023.

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

(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.)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Make technical changes.

The House Floor Amendments to the engrossed bill:

1. Remove the limitation that the credit for taxes paid to other states is applicable 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.
2. Add applicability provisions for proposed law to taxable years beginning on or after Jan. 1, 2023.