DIGEST

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**CONFERENCE COMMITTEE REPORT DIGEST**

**HB 624** **2015 Regular Session** **Jackson**

**Keyword and oneliner of the instrument as it left the House**

TAX/CORP INCOME: Reduces the amount of certain corporate income tax exclusions and deductions

**Report adopts Senate amendments to:**

1. Delete provisions relative to the credit union exclusion, foreign bank exclusion, electric cooperative exclusion, the exclusion and deduction for interest from state obligations, and the Subchapter S deduction from proposed law.

**Report rejects Senate amendments which would have:**

1. Added a provision that authorizes a deduction against a taxpayer's 2017, 2018, and 2019 return for any exclusion or deduction not allowed by proposed law on returns filed after July 1, 2015 pursuant to a filing extension that was granted prior to July 1, 2015.

2. Added a provision that the Act is not applicable to amended returns timely filed on or after July 1, 2015, relating to an original return that was filed on or prior to July 1, 2015 and properly claimed an exemption, credit, rebate, or deduction.

3. Added effective date of July 1, 2015.

4. Made technical changes.

**Report amends the bill to:**

1. Increase the reduction in proposed law from 20% to 28%.

2. Add an applicability provision that prohibits the Act from applying to an amended return filed on or after July 1, 2015, relating to an exclusion from taxable income or a claim for a deduction properly claimed on an original return filed prior to July 1, 2015.

3. Provide that if a return is filed after July 1, 2015, for which a valid filing extension has been allowed prior to July 1, 2015, then any portion of an exclusion or deduction disallowed by the provisions of Sections 1 or 2 of this Act shall be allowed as an exclusion or a deduction in the amount of one-third of the disallowed portion of the exclusion or deduction on the taxpayer's return for each of the taxable years beginning during calendar years 2017, 2018, and 2019.

4. Add effective date of July 1, 2015 for provisions of proposed law relative to the reduction of deductions and exclusions and sunset the reduction on June 30, 2018.

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

Present law (R.S. 47:51) excludes from corporation gross income any funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system.

Proposed law retains present law but reduces the exclusion from any funds received to 72% of the funds received by a corporation.

Present law (R.S. 47:158) provides an additional deduction in determining net income for oil and gas depletion. The deduction equals 22% of gross income from the property, excluding any rents or royalties paid or incurred by the taxpayer due to the property. The deduction is further limited to 50% of the net income from the property calculated without the deduction for depletion.

Proposed law retains present law but reduces the deduction from 22% of the gross income from the property during the taxable year, excluding any rents or royalties, to 15.8% of the gross income from the property during the taxable year, excluding 72% of rents or royalties. Further reduces allowable deduction from an amount not to exceed 50% of the net income of the taxpayer to an amount not to exceed 36% of the net income.

Present law (R.S. 47:246) provides a deduction for net operating loss of a corporation. The amount of the deduction is equal to the amount of the net operating loss.

Proposed law retains present law but reduces the amount of the deduction from the entire amount of the net operating loss to 72% of the net operating loss.

Present law (R.S. 47:287.71) excludes from corporation gross income any funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system.

Proposed law retains present law but reduces the exclusion from any funds received to 72% of the funds received by a corporation.

Present law (R.S. 47:287.73) provides for a deduction from corporate income tax any expenses disallowed under I.R.C. Section 280C. Further requires a taxpayer who elects to claim certain credits that are based on an expense to reduce the federal deduction for the expense by the dollar amount of the credit claimed.

Proposed law retains present law but reduces the amount of the deduction from disallowed expenses to 72% of disallowed expenses.

Present law (R.S. 47:287.86) provides a deduction from corporate income for the amount of the net operating loss incurred in La.

Proposed law retains present law but reduces the amount of the deduction from the entire amount of the net operating loss to 72% of the net operating loss.

Present law (R.S. 47:287.738) authorizes a deduction from gross income of an amount equal to interest and dividend income included on the federal income tax return.

Proposed law retains present law but reduces the deduction from the amount of interest and dividend income to 72% of the interest and dividend income.

Present law (R.S. 47:287.745) provides an additional deduction in determining net income for oil and gas depletion. The deduction is 22% of gross income from the property, excluding any rents or royalties paid or incurred by the taxpayer due to the property. The deduction is further limited to 50% of the net income from the property calculated without the deduction for depletion.

Proposed law retains present law but reduces the deduction from 22% of the gross income from the property during the taxable year, excluding any rents or royalties, to 15.8% of the gross income from the property during the taxable year, excluding 72% of rents or royalties. Further reduces allowable deduction from an amount not to exceed 50% of the net income of the taxpayer to an amount not to exceed 36% of the net income.

Present law (R.S. 51:3092) exempts from corporation income and franchise taxes, certain La. Community Development Financial Institutions for 5 consecutive taxable periods, commencing with the taxable period in which the capital company is certified by the commissioner.

Proposed law retains present law but reduces the exemption from five consecutive taxable periods to four consecutive taxable periods.

Effective beginning July 1, 2015 and applicable for all exclusions from taxable income and all claims for deductions made on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates.

Prohibits application to an amended return filed on or after July 1, 2015, relating to an exclusion from taxable income or a claim for a deduction properly claimed on an original return filed prior to July 1, 2015.

Provide that if a return is filed after July 1, 2015, for which a valid filing extension has been allowed prior to July 1, 2015, then any portion of an exclusion or deduction disallowed by the provisions of Sections 1 or 2 of this Act shall be allowed as an exclusion or a deduction in the amount of one-third of the disallowed portion of the exclusion or deduction on the taxpayer's return for each of the taxable years beginning during calendar years 2017, 2018, and 2019.

Provisions of proposed law relative to reducing the amount of the deductions and exclusions shall become effective July 1, 2015, and shall remain effective through June 30, 2018.

Effective July 1, 2015.

(Amends R.S. 47:51, 158(C) and (D), 246(A), 287.71(B)(2), (3), and (6), 287.73(C)(4), 287.86(A)(intro. para.), 287.738(F)(1) and (G), and 287.745(B), and R.S. 51:3092)