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## DIGEST

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### CONFERENCE COMMITTEE REPORT DIGEST

**HB 55**

**2016 First Extraordinary Session**

**Leger**

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

TAX/INCOME TAX: Requires that certain deductible items be added-back on certain corporate income tax returns (Item #5)

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

1. Added definition of management fees that excluded certain expenses from being required to be added-back for purposes of computing corporate income taxes.

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

Proposed law provides that for purposes of computing a corporation's La. net income, a corporation shall add-back otherwise deductible interest expenses and costs, intangible expenses and costs, and management fees directly or indirectly paid, accrued, incurred to, or in connection with one or more direct or indirect transactions, with one or more related members. However, to the extent a corporation shows that the corresponding item of income was, either subject to a tax based on or measured by the related member's net income in La. or any other state, or was subject to a tax based on or measured by the related member's net income by a foreign nation, that item of income would not be required to be added-back.

Proposed law defines "subject to a tax based on or measured by the related member's net income" as the receipt of payment by the recipient-related member that is reported and included in income for purposes of a tax on net income, and not offset or eliminated in a combined or consolidated return which includes the payor. Any portion of an item of income not attributed to the taxing jurisdiction, as determined by that jurisdiction's allocation and apportionment methodology, shall not be considered subject to a tax.

Proposed law adds provisions for when the adjustments required in proposed law shall not apply, such as if a corporation establishes that the transaction giving rise to the interest expenses and costs, the intangible expenses and costs, or management fees between the corporation and the related

member did not have as a principal purpose the avoidance of any La. income tax.

Proposed law exempts from the mandatory adjustments that portion of interest expenses and costs, intangible expenses and costs, and management fees that the corporation establishes was paid or incurred by the related member during the same taxable year to a person that is not a related member.

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

Applicable to all tax years beginning on and after Jan. 1, 2016.

(Adds R.S. 47:287.82)