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December 16, 2025[1]

Income Tax

S Corporations-Filing Requirements, Composite Returns and Estimated Payments

Act 382 of the 2025 Regular Legislative Session ("Act 382") makes substantial changes to Louisiana's corporation income tax structure as it relates to the taxation of S corporations. Specifically, Act 382 amends La. R.S. 47:287.732 to treat S corporations as pass-through entities for purposes of Louisiana income tax. The changes are effective for income tax periods beginning on or after January 1, 2026.[2]

The purpose of this guidance is to inform taxpayers of the new provisions enacted by Act 382 as it relates to the filing requirements for S corporations, as well as the procedure for submission of composite or estimated payments of tax by an S corporation on behalf of its nonresident shareholders.

Taxation of S corporations

Before Act 382, Louisiana did not follow the federal "flow-through" treatment for S corporations. Instead, S corporations were taxed like C corporations. They could choose to "flow through" income, losses, deductions, and credits to shareholders by making a special S corporation exclusion election**.** Any income excluded under this election was taxed to the shareholders, while the rest was taxed at the corporate level under corporate tax rates.

As of January 1, 2026, Louisiana (La. R.S. 47:287.732) now recognizes S corporations as flow-through entities consistent with federal income tax treatment. This means all income, losses, deductions, and credits automatically pass through to shareholders—no election is needed.

Reporting Requirements

<u>Taxable periods beginning in 2025 and prior:</u>

For taxable periods <u>before</u> January 1, 2026, an S corporation is taxed as a C corporation for Louisiana income tax purposes. For these periods, the S corporation's Louisiana income and

[1] Revised January 2026 to make a technical correction.
[2] This includes returns for short periods beginning on or after January 1, 2026.

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tax liability are reported on LDR Form CIT-620, *Louisiana Corporation Income Tax Return*, (CIT-620) and the S corporation exclusion provided in La. R.S. 47:287.732(B) can be elected[3].

Taxable periods beginning on or after January 1, 2026:

For taxable periods beginning on or after January 1, 2026, S corporations must file an informational return instead of paying corporation income tax. While a completed LDR Form CIT-620, Louisiana Corporation Income Tax Return is still required to determine how income is allocated and apportioned, the return is informational only. The shareholders—not the corporation—will now calculate and pay tax on their share of the income, losses, deductions, or credits on their individual or fiduciary income tax returns. However, S corporations may choose to make a composite payment on behalf of their nonresident shareholders to be credited against their Louisiana tax liability. Both the informational and composite return of an S corporation must be filed electronically.

Taxation of Qualified Subchapter S Subsidiaries

As a result of Act 382, Louisiana also follows the federal treatment of Qualified Subchapter S Subsidiaries ("QSub") as disregarded entities.

Prior to the amendments to La. R.S. 47:287.732.1, a QSub could either:

- Be treated as a separate entity and file its own corporation income return, or
- Elect the QSub exclusion, allowing its income, losses, deductions, and credits to be reported on the parent S corporation's return.

For taxable periods beginning on or after January 1, 2026, a QSub is automatically treated as a disregarded entity—no election required. All of its income, losses, deductions, and credits will be included on the parent S corporation's CIT-620.

Composite Returns

Although Louisiana law now treats S corporations as flow-through entities, La. R.S. 47:287.732.1 as amended by Act 382, also allows S corporations to file a composite return to pay Louisiana income tax on behalf of its nonresident shareholders. Starting January 1, 2026, an S corporation can file a composite return by marking the box on the face on the CIT-620 labeled "S corporation composite filing" and completing Schedules K and L with its CIT-620 for the tax period. If a nonresident shareholder's only Louisiana income comes from the S corporation—and the corporation makes a composite tax payment on their behalf—the shareholder does not need to file a separate Louisiana return. However, if the S corporation

[3] The 2025 CIT-620 is designed to allow S corporations with a 2026 short period to file the informational return. These sections should not be used by S corporations to report 2025 income.

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has a net loss, a composite return is not allowed, and each nonresident shareholder must file their own Louisiana return to report their share of the loss shown on the federal Schedule K-1.

Pass-Through Entity Election

S corporations still have the option to elect to be taxed as a C corporation pursuant to La. R.S. 47:287.732.2. However, if the S corporation has made the pass-through entity tax election for a taxable period, it cannot file a composite return and make composite tax payments for that same period. Likewise, if an S corporation chooses to file and pay composite tax for its nonresident shareholders, it cannot also make the pass-through entity tax election.

Estimated Payments of Tax

Since S corporations are no longer subject to corporation income tax, estimated payments are no longer required from the S corporation. However, an S corporation may choose to make estimated payments voluntarily when it expects to file a composite return. To do so, the S corporation must follow the same procedures used by C corporations, as provided in the instructions to LDR Form CIT-620ES, *Declaration of Estimated Tax for Corporations* .

If an S corporation will not make composite tax payments, each nonresident shareholder is responsible for Louisiana estimated taxes on their share of S corporation income, in accordance with La. R.S. 47:116 and the instructions to LDR Form IT-540ES, *Declaration of Estimated Tax for Individuals*,. Nonresident shareholders that are estates and trusts are not required to make estimated payments but may voluntarily pay using Form R-541ES when a tax liability is expected.

Questions about completing Form CIT-620 or filing amended returns should be sent to Income.Tax@la.gov. Questions regarding this Bulletin should be sent to PolicyIncome@la.gov. Please include RIB 25-XXX in the subject line of any emails sent to LDR regarding this Bulletin.

Richard Nelson
Secretary

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