

Revenue Information Bulletin No. 17-018
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Income & Franchise Taxes

Acts 109, 123, and 125 – Extension Recovery

Act 109 of the 2015 Regular Session of the Louisiana Legislature provided for new restrictions applicable to taxpayers seeking to claim credit for income taxes paid to other states. Acts 123 and 125 of the 2015 Regular Session of the Louisiana Legislature provided for across the board reductions, typically 28%, to numerous deductions, exemptions and credits applicable against income and corporation franchise tax. While Act 123 contained reductions to deductions and exemptions, Act 125 contained reductions to credits. Acts 109, 123, and 125 are all applicable when claimed on a return filed on or after July 1, 2015.

Acts 109, 123, and 125 contain language which allows a taxpayer subject to a denial or reduction to recover the amount denied or reduced due to the provisions of the applicable Act when the amount denied or reduced would have otherwise been allowed on a return for which a valid extension was granted before July 1, 2015. The recovery is allowed in one-third increments with an installment of one-third of the total amount otherwise allowed on such a return allowed during each of the taxable years beginning during calendar year 2017, 2018, and 2019. Section 3(C) of Act 109, Section 5(C) of Act 123, and Section 7(C) of Act 125 provide as follows:

Act 109

(C) 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 a tax credit disallowed by the provisions of Section 1 of this Act shall be allowed as a tax credit in the amount of one-third of the disallowed portion of the tax credit on the taxpayer's return for each of the taxable years beginning during calendar years 2017, 2018, and 2019.

Act 123

(C) 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.

Act 125

(C) If a return is filed after July 1, 2015, but before June 30, 2018, for which a valid filing extension has been allowed prior to July 1, 2015, then any portion of the credit reduced by the provisions of Sections 1, 2, or 3 of this Act shall be allowed as a credit in the amount of one-third of the reduced portion of the credit on the taxpayer's return for each of the taxable years beginning during calendar years 2017, 2018, and 2019.

Claiming a Recovery Installment

To claim a one-third recovery installment, beginning with the tax year 2017 return, taxpayers must check the box labeled "2015 Legislation Recovery" and attach a schedule which details the total amount previously reduced by Act 123 as well as the one-third installment which is claimed on the return.

Taxpayers claiming amounts previously reduced by Act 109 or Act 125 as well as the one-third installment which is being claimed on the return must check the box labeled "2015 Legislation Recovery" and attach Form R-6410, 2015 Legislation Recovery Worksheet, R-6411, "2015 Legislation Recovery Worksheet - Corporation, Fiduciary, and Composite Partnership" to the return.

The installment recovery amount must be added to the amount of deduction, exemption, or credit otherwise claimed for that particular tax year. For taxpayers claiming a recovery installment for a net operating loss, the one-third recovery amount must be listed on Line 1C2 of the Corporation Income and Franchise Tax Return. All documentation otherwise required for any deduction, exemption, or credit claimed but not part of the one-third recovery installment must be included.

When calculating the appropriate one-third recovery installment, taxpayers must round to the nearest whole number for the first two years of the recovery period and claim any remaining balance in the third and final year of the recovery period. For example, if a credit was reduced from \$25 to \$18 as a result of Act 125, the taxpayer is entitled to claim one-third of the reduction of \$7 over three years or \$2.33 per year. The \$2.33 should be rounded to \$2.00 for the first two years of the recovery period and the remaining balance of \$3.00 should be claimed in the third and final year of the recovery period ($\$2.00 + \$2.00 + \$3.00 = \7.00).

When applicable, a recovery installment of the amount previously reduced shall be allowed in addition to the amount otherwise allowed on the return. However, no recovery shall be allowed when the reduction is made on a standalone form where an extension is not available, such as Form R-620INS, Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment.

For purposes of determining the states eligible for recovery under Act 109 and R.I.B. 16-052, only Tennessee and New Hampshire qualify as states eligible for recovery under Section 3(C), as

the payment of tax on interest and dividend income qualifies as “income tax” for purposes of R.S. 47:33.

For questions concerning this matter, please contact the Policy Services Division at (225) 219-2780. For questions concerning a taxpayer’s return, please contact (855) 307-3893.

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Secretary