

Revenue Information Bulletin No. 19-006
January 11, 2019
Administrative

Form 1099-G Calculation Methods

The purpose of this bulletin is to explain the Department of Revenue's ("Department") updated calculation method for preparing Form 1099-G, *Certain Government Payments*, information returns which are filed with the Internal Revenue Service ("IRS"). The Department will use the updated calculation method beginning with Forms 1099-G issued for the 2018 calendar year.

General Purpose of Information Reporting

The purpose of information returns is to assist the IRS with identifying recipients of income and amounts received. This allows the IRS to ensure that all items subject to tax are properly reported and to ensure proper administration of the tax system.

Information returns create no tax obligations on the part of the taxpayer beyond what the taxpayer's particular tax status in a given year requires the taxpayer to pay. The IRS recognizes a clear distinction between the payer's information reporting requirements and the recipient's income tax liability. Therefore, in some instances, the Department will have an obligation to file information returns, such as Form 1099-G, with the IRS although the amounts shown on the Form 1099-G are not taxable income to the recipient.

Payments Reported on Form 1099-G

Pursuant to federal law, certain payments made by the Department must be reported to the IRS on Form 1099-G. As a general rule, the Department will report an overpayment made to an individual that is issued as a cash refund, paid pursuant to a garnishment, used as a donation, or carried forward the next tax year.

The Department will issue Form 1099-G for the following:

1. Individual income tax payments made by withholding, with extension requests, and estimated payments that are issued as a cash refund, paid pursuant to a garnishment, used as a donation, or carried forward to the next tax year if the taxpayer claimed itemized deductions on the taxpayer's federal income tax return for the tax year giving rise to the credit or refund.

2. Refundable credits and rebates that are classified as state subsidies and are issued as a cash refund, paid pursuant to a garnishment, used as a donation, or carried forward to the next tax year. These include but are not limited to the following:

Angel Investor Tax Credit	LA R.S. 47:6020
Competitive Projects Payroll Incentive Program	LA R.S. 51:3121
Conversion of Vehicle to Alternative Fuel	LA R.S. 47:6035
Digital Interactive Media and Software Credit	LA R.S. 47:6022
Digital Interactive Media and Software Buy-Back	LA R.S. 47:6022
Donation to School Tuition Organizations Rebate	LA R.S. 47:6301
Enterprise Zone - Investment Income Tax Credit	LA R.S. 51:1781
Historic Residential	LA R.S. 47:297.6
Mentor-Protégé	LA R.S. 47:6027
Milk Producers	LA R.S. 47:6032
Motion Picture Employment of Resident Buy-Back	LA R.S. 47:1125.1
Motion Picture Investment Buy-Back	LA R.S. 47:6007(C)(1)
Musical and Theatrical Productions	LA R.S. 47:6034
Procurement Processing Company Rebate	LA R.S. 47:6351
Quality Jobs - Payroll Rebate	LA R.S. 51:2451
Quality Jobs - Project Facility Expense Rebate	LA R.S. 51:2451
Research and Development	LA R.S. 47:6015
Retention and Modernization	LA R.S. 51:2399.1
Solar Energy Systems - Leased	LA R.S. 47:6030
Solar Energy Systems - Purchased	LA R.S. 47:6030
Sound Recording	LA R.S. 47:6023
Technology Commercialization	LA R.S. 51:2351
Urban Revitalization	LA R.S. 51:1801

3. Refundable credits and rebates that are classified as refunds of property tax and are issued as a cash refund, paid pursuant to a garnishment, used as a donation, or carried forward to the next tax year. These include but are not limited to the following:

Ad Valorem Natural Gas	LA R.S. 47:6006
Ad Valorem Offshore Vessels	LA R.S. 47:6006.1
Inventory Tax Credit	LA R.S. 47:6006
Telephone Company Property	LA R.S. 47:6014

Calculation Methods

As explained below, two calculation methods are utilized depending on whether the taxpayer itemized deductions at the federal level. Additionally, the calculation methods account for the priority of application of credits.¹

Calculation Method 1

This calculation method applies when a taxpayer did not itemize deductions at the federal level. The calculation begins with Louisiana income tax reduced by certain credits. After application of the credits, the amount reported on Form 1099-G is derived based on whether the taxpayer has remaining tax due or is due a refund from overpayment of tax.

$$\begin{aligned} & \text{Louisiana income tax} \\ & \quad - \text{ Nonrefundable Priority 1 Credits} \\ & \quad - \text{ Refundable Priority 2 Credits (not included on Form 1099-G)} \\ & \quad - \text{ Refundable Priority 2 Credits (included on Form 1099-G)} \\ & \quad - \text{ Nonrefundable Priority 3 Credits} \\ & \quad - \text{ Refundable Priority 4 Credits (included on Form 1099-G)} \\ & = \text{ Tax Remaining After Credits} \\ & \quad + \text{ Credits or Rebates (not claimed on income tax return)} \\ & = \text{ Amount Reported on Form 1099-G} \\ & \quad \text{OR} \\ & = \text{ Overpayment} \\ & \quad + \text{ Credits or Rebates (not claimed on income tax return)} \\ & = \text{ Amount Reported on Form 1099-G} \end{aligned}$$

Some rebates, such as the former Donation to School Tuition Organizations Rebate, are not claimed on an income tax return, but must nonetheless be included in the calculation.

¹ Act 23 of the 2016 First Extraordinary Session changed the order in which credits are applied to tax beginning with the 2016 tax year. The current order is:

1. Nonrefundable credits that have no carry forward provisions;
2. All refundable credits other than the credit provided for in LA R.S. 47:6006;
3. Nonrefundable credits with a carry forward and nonrefundable credits that are transferable;
4. Refundable credits provided in LA R.S. 47:6006; and
5. Withholding, credit carried forward of overpayments, estimated payments and payments made with an extension.

Calculation Method 2

This calculation method applies when a taxpayer did itemize deductions at the federal level. The calculation begins with Louisiana income tax reduced by certain credits. After application of the credits, withholdings and other payments further reduce Louisiana income tax. The amount reported on Form 1099-G is derived based on whether the taxpayer has remaining tax due or is due a refund from overpayment of tax.

Louisiana income tax

- Nonrefundable Priority 1 Credits
 - Refundable Priority 2 Credits (not included on Form 1099-G)
 - Refundable Priority 2 Credits (included on Form 1099-G)
 - Nonrefundable Priority 3 Credits
 - Refundable Priority 4 Credits (included on Form 1099-G)
 - Sum of Louisiana withholdings, composite, estimated, and extension payments
- = Tax Remaining After Credits
+ Credits or Rebates (not claimed on income tax return)
= Amount Reported on Form 1099-G
- OR
- = Overpayment
+ Credits or Rebates (not claimed on income tax return)
= Amount Reported on Form 1099-G

Example

For the 2017 income tax period, Taxpayer A itemizes her deductions on her federal income tax return. Taxpayer A files Form IT-540, *Louisiana Resident Individual Income Tax Return*, and reports the following:

Line No.	Item on Return	Amount
Line 11	Louisiana Income Tax	\$ 12,000.00
Line 12	Nonrefundable Priority 1 Credits	
	<i>Credit for Taxes Paid to Other States</i>	<u>(2,000.00)</u>
Line 13	Tax Remaining After Nonrefundable Priority 1 Credits	10,000.00
Line 17	Louisiana Citizens' Insurance Credit	(400.00)
Line 18	Other Refundable Priority 2 Credits	
	<i>Credit for Amounts Paid by Military Service Member for Hunting License</i>	<u>(300.00)</u>
Line 22	Nonrefundable Priority 3 Credits	
	<i>Inventory Tax Credit - Carried Forward from Prior Year</i>	<u>(4,000.00)</u>
Line 24	Consumer Use Tax	1,000.00
Line 27	Refundable Priority 4 Credits	
	<i>Inventory Tax Credit - Current Year</i>	<u>(3,000.00)</u>
Line 28	Amount of Louisiana Tax Withheld for 2017	<u>(10,000.00)</u>
Line 33	Overpayment	\$ (6,700.00)

Using Calculation Method 2, the Department will issue Taxpayer A the Form 1099-G reporting the amount of \$7,700, as follows:

Louisiana income tax	\$ 12,000.00
- Nonrefundable Priority 1 Credits	
<i>Credit for Taxes Paid to Other States</i>	<u>(2,000.00)</u>
Tax Remaining After Nonrefundable Priority 1 Credits	10,000.00
- Refundable Priority 2 Credits (not included on Form 1099-G)	
<i>Louisiana Citizens' Insurance Credit</i>	(400.00)
<i>Credit for Amounts Paid by Military Service Member for Hunting License</i>	<u>(300.00)</u>
Tax Remaining After Refundable Priority 2 Credits (not included on Form 1099-G)	9,300.00
- Refundable Priority 2 Credits (included on Form 1099-G)	-
Tax Remaining After Refundable Priority 2 Credits (not included on Form 1099-G)	9,300.00
- Nonrefundable Priority 3 Credits	
<i>Inventory Tax Credit - Carried Forward from Prior Year</i>	<u>(4,000.00)</u>
Tax Remaining After Nonrefundable Priority 3 Credits	5,300.00
- Refundable Priority 4 Credits (included on Form 1099-G)	
<i>Inventory Tax Credit - Current Year</i>	<u>(3,000.00)</u>
Tax Remaining After Refundable Priority 4 Credits	2,300.00
- Sum of Louisiana withholdings, composite, estimated, and extension payments	
<i>Amount of Louisiana Tax Withheld for 2017</i>	<u>(10,000.00)</u>
= Overpayment	<u>\$ 7,700.00</u>
= Tax Remaining After Credits	
+ Credits or Rebates (not claimed on income tax return)	
= Amount Reported on Form 1099-G	
OR	
= Overpayment	\$ 7,700.00
+ Credits or Rebates (not claimed on income tax return)	-
= Amount Reported on Form 1099-G	<u>\$ 7,700.00</u>

A Revenue Information Bulletin (RIB) is issued under the authority of LAC 61:III.101.D. A RIB is an informal statement of information issued for the public and employees that is general in nature. A RIB does not have the force and effect of law and is not binding on the public or the Department.

Questions concerning this publication may be submitted by e-mail to Policy.Publications@La.gov. For questions concerning a Form 1099-G issued by the Department, please contact (855) 307-3893.

Kimberly Lewis Robinson
Secretary