

Revenue Information Bulletin 19-010
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Corporation Income Tax

**Guidance on Louisiana State Tax Implications of the Tax Cuts and Jobs Act's
New Base Erosion and Anti-Abuse Tax**

On December 22, 2017, Public Law 115-97, more commonly referred to as the Tax Cuts and Jobs Act ("TCJA"), was enacted into federal law. The TCJA enacted Internal Revenue Code ("IRC") Section 59A and established a base erosion minimum tax ("BEAT") in order to prevent income shifting by imposing a tax on corporations that make substantial payments to foreign affiliates. BEAT replaced the alternative minimum tax ("AMT") for corporations and is structured to apply when a multinational corporation reduces its regular U.S. tax liability to less than 3% of its taxable income after adding back deductible base eroding payments and a percentage of tax losses claimed that were carried from another year.

BEAT is only applicable to corporations with average annual gross receipts of at least \$500 million over the prior three-year period. The premise behind BEAT is that if a large multinational corporation is operating in the United States and makes related-party payments in transactions that are potentially susceptible to aggressive profit shifting; those payments are subject to this new tax. The purpose of this bulletin is to provide guidance to taxpayers on whether BEAT is considered an income tax for purposes of the Louisiana federal income tax ("FIT") deduction.

LA R.S. 47:287.85 allows corporations a deduction for federal income taxes paid. For purposes of LA R.S. 47:287.85, federal income taxes "include taxes based upon net income, accumulated earnings, war profits, excess profits, personal holding company income, and tax from recomputation of investment credit." The AMT, to the extent it is applied to regular taxable income, is allowed as part of the FIT deduction because LA R.S. 47:287.85(B) specifically allows AMT to be included in these certain circumstances.

The statute does not provide that BEAT paid on regular taxable income is eligible for the FIT deduction. The BEAT is not an enumerated item in LA R.S. 47:287.85 and no explicit exception exists as compared to the AMT provision found in LA R.S. 47:287.83(B). Therefore, BEAT is not allowed as part of the FIT deduction under LA R.S. 47:287.85.

Questions concerning this Revenue Information Bulletin should be directed by e-mail to Policy.Publications@La.gov.

Kimberly Lewis Robinson
Secretary

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