State of Louisiana Department of Revenue

Revenue Information Bulletin
No. 05-021
September 29, 2005
Corporation Income Tax

Interest Calculation Involving Net Operating Loss Carrybacks

During an audit, it is not unusual to discover a situation where a deficiency is determined for an earlier year and a previously unrecognized net operating loss is determined for a later year. The purpose of this Revenue Information Bulletin is to explain how interest will be calculated in these situations.

Example: A corporate income tax audit was performed on a company for the tax years 1997 through 2000. The results of the audit were:

Audit Period	Taxable Amount As Reported	Taxable Income (NOL) As Audited	Additional Taxable Income/ Additional (NOL)
1997	$100,000	$150,000	$50,000
1998	$50,000	$50,000	$0
1999	$50,000	$50,000	$0
2000	$0	($25,000)	($25,000)

The NOL is carried back in the audit to 1997.

The additional tax due for 1997 is $3,500 (seven percent on additional taxable income). Interest is due on the entire $3,500 from April 16, 1998 (the day following the filing date of the 1997 return without regard to extension) through the due date of the loss year return, which is April 15, 2001. At that date, the availability of the NOL requires that the additional tax due be recomputed to take into account the application of the NOL. As a result, the additional tax due becomes $1,750 [$3,500 less $1,750 (NOL tax reduction)] as of April 15, 2001 and interest accrues on the $1,750 until paid.

Assume the additional tax is paid on June 15, 2001, the calculation would be as follows:

Interest on $3,500 from April 16, 1998 through April 15, 2001:
(45% * $3,500) $1,575.00
Interest on $1,750 from April 16, 2001 through June 15, 2001:
(2.5%* $1,750) $43.75
Total Interest Due: $1,618.75

Interested parties may contact the Policy Services Division at (225) 219-2780.

Cynthia Bridges
Secretary

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.