

Revenue Information Bulletin
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March 7, 2006
Individual Income Tax

Add-Back of Wage Deduction for Louisiana Taxpayers

Act 25 of the 2006 First Extraordinary Session of the Louisiana Legislature amended R.S. 47:293(6)(a)(xi) to provide for a Louisiana income tax deduction for expenses that are disallowed under IRC 280C for wage and salary expense.

Computation of Louisiana taxable income for individuals starts with federal adjusted gross income. In computing federal adjusted gross income the taxpayer who is eligible for certain wage based credits has a federal election to either deduct the wage expenses or take more valuable federal income tax wage credit. Under IRC 280C, if an employer elects to claim the credits, the employer must also reduce his or her federal deduction for wage and salary expense by the dollar amount of certain credits claimed. Those credits include:

- The Work Opportunity Credit;
- The Indian Employment Credit;
- The Employee Retention Credit;
- The Empowerment Zone Credit;
- The Post-2001 Renewal Community Employment Credit; and
- The Hurricane Katrina housing credit for employers providing housing to employees.

If the taxpayer elects the federal credit, he reduces his federal income tax but also loses portions of the wage deduction for Louisiana income tax purposes because a portion of the wages were not allowed as a deduction in computing his federal adjusted gross income.

Act 25 prevents this by allowing Louisiana taxpayers to reduce their federal adjusted gross income by the amount of the deduction that was disallowed for their salary or wage expenses for federal income tax purposes.

Individuals should claim this deduction on their Schedule E. This provision is effective for taxable periods beginning after December 31, 2003.

Interested parties should contact Taxpayer Services at 225-219-7318.

Cynthia Bridges
Secretary

Historical Note: Originally issued March 7, 2006. Amended August 11, 2006, to remove reference to the Schedule E line name.