

Historical Note: For tax years beginning with 2007, this Revenue Information Bulletin has been superseded by [RIB 07-015](#), which incorporates changes to the Citizens credit made by Act 382 of the 2007 Regular Session of the Louisiana Legislature.

Revenue Information Bulletin

No. 07-005

January 25, 2007¹

Individual Income Tax

Claiming the Credit for the Louisiana Citizens Property Insurance Corporation Assessments

The Taxpayer Services Division announces the following:

Purpose

The purpose of this Revenue Information Bulletin is to inform individuals about the new income tax credit for the Louisiana Citizens Property Insurance Corporation regular assessments, emergency assessments, insurance companies' regular assessment recoupment surcharge and market equalization charges that were a result of Hurricanes Katrina and Rita (collectively, LA Citizens assessments). This RIB will also describe what documents individuals will need to determine the amount of the refund, what form individuals should use to claim the credit, and what documents must be attached to the income tax return.

Introduction

In December 2006, the Louisiana Legislature authorized a refundable income tax credit for the LA Citizens assessments that resulted from Hurricanes Katrina and Rita. This credit is available to people who paid the LA Citizens assessments in addition to their homeowner's or property insurance premium.

The LA Citizens assessments are a result of losses on insured property caused by Hurricanes Katrina and Rita. In years when there are no large catastrophic losses, LA Citizens collects enough premiums to cover their cost of operations. However, the massive losses of Hurricanes Katrina and Rita cost LA Citizens over \$1.2 Billion, which created a deficit. LA Citizens assessments on assessable property insurance policies in Louisiana were used to partially fund this deficit left by Hurricanes Katrina and Rita.

How to Determine the Amount of the Credit

Premium notices received before January 1, 2007 may include the LA Citizens assessments due to Hurricanes Katrina and Rita. The LA Citizens assessments are shown as separate line item(s) in addition to your normal premium amount on what is referred to as the "declaration page" of your homeowner's or property insurance premium notice. The declaration page names the policyholder, describes the property or liability to be insured, the type of coverage, and policy limits. Due to limited space on the declaration page, some insurance companies may include a supplemental schedule that itemizes the LA Citizens assessments.

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.

LA Citizens assessments line item charges may include any or all of the following (your insurer's description may vary slightly from the references below):

- Louisiana Citizens FAIR Plan Regular Assessment Recoupment Surcharge
- Louisiana Citizens Coastal Plan Regular Assessment Recoupment Surcharge
- Louisiana Citizens FAIR Plan Emergency Assessment
- Louisiana Citizens Market Equalization Charge

To determine the amount of the credit that you can claim, add the charges for these line items together. If only one of the line items appears on your insurance bill, then that is the amount of your credit.

You must have actually paid these amounts to claim the credit. It does not matter if you directly paid your insurance company or if the payment was made for you by an escrow company.

This is NOT a credit for the total amount due on your insurance bill. Do NOT add your insurance premium to the LA Citizens assessments. Only claim the amount of the LA Citizens assessments.

When the Credit Can Be Claimed

The credit is claimed for the year paid regardless of the due date of your premium. Citizens assessments paid before January 1, 2007 can be claimed on the first income tax return with an original or extended return due date in 2007. Only LA Citizens assessments actually paid in 2005 or 2006 will be allowed as a credit on a 2006 income tax return. If you paid multiple LA Citizens assessments, for example, one in December 2005 and another in December 2006, you are entitled to claim a credit for both payments on your 2006 income tax return.

LA Citizens assessments paid in 2007 are eligible to be claimed on the 2007 income tax return which is due in 2008.

Required Documentation for Everyone Claiming the Credit

A copy of your homeowner's or property insurance declaration page that shows the separate line item charges for the LA Citizens assessments must be attached to all paper income tax returns. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to your income tax return. A substitute document issued by your insurance company that contains the line item LA Citizens assessments will also be accepted if you did not keep your original declaration page.

If you file electronically or through LDR e-file, your homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens assessments should be retained for 4 years in case of audit. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, retain both the declaration page and the supplemental page for 4 years in case of audit.

If you have your return prepared by a paid preparer, such as a national tax service firm or individual tax practitioner, you must bring a copy of the homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens

assessments to your preparer. Preparers are not authorized to claim this credit on your behalf without this declaration page. If you are filing electronically, your preparer must keep a copy of this declaration page on file. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, bring both the declaration page and the supplemental page to your tax preparer.

All individuals should keep any documents showing proof of payment for 4 years in case of audit. Documents that will be accepted as proof of payment include, but are not limited to, cancelled checks, an image of a check, or an itemized escrow statement.

If your policy renewal date is in 2007 and you paid the LA Citizens assessments before January 1, 2007, you may be required to provide proof that you actually paid the assessments in 2006 to be eligible to claim the credit on your 2006 tax return.

What Form to Use to Claim the Credit

The form that you will use to claim the credit will depend on whether you are required to file a 2006 Louisiana income tax return and whether you are a resident or nonresident who paid the LA Citizens assessments.

If you had more than one property for which you paid the LA Citizens assessments before January 1, 2007, such as a home and a camp, you must also prepare Form R-INS Supplement. If you file the R-540INS or if you file a paper IT 540 or IT 540B, you must attach the required documentation for each property listed when you file. All individuals who claim this credit should retain the required documentation for each property listed for 4 years in case of audit.

Individuals entitled to a credit because they are a sole proprietor or have rights to the credit from a partnership or other pass-through entity, should review RIB 07-006 for additional information.

Individuals Who Are Not Required to File a 2006 Louisiana Income Tax Return

If you are not required to file a personal income tax return, you will file your claim for refund on the special form provided by the Department of Revenue. This form is called the "Request for Refund of Louisiana Citizens Property Insurance Corporation (LA Citizens) Assessment." It is form number R-540INS, which is available in the Department's statewide offices and on the Department's website at www.revenue.louisiana.gov.

A copy of your homeowner's or property insurance declaration page that shows the separate line item charges for the LA Citizens assessments must be attached to the R-540INS. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to the R-540INS.

Individuals Who Must File a 2006 Louisiana Income Tax Return

Louisiana residents who file a Louisiana personal income tax return and are entitled to claim this credit will not use a special form. Residents will use the standard Louisiana Resident income tax return, the IT 540, and will list the credit on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessments" in the space provided.

If you file a paper income tax return, a copy of your homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens assessments must be attached to the return. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to your income tax return.

If you file electronically, keep your homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens assessments for 4 years. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, keep both the declaration page and the supplemental page to your income tax return.

Nonresident Louisiana taxpayers who file the 2006 Louisiana nonresident personal income tax return and are entitled to claim this credit will not use a special form. Nonresidents will use the standard Louisiana Nonresident and Part-year Resident income tax return, the IT 540B, and will list the credit on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessments" in the space provided.

If you file a paper income tax return, a copy of your homeowner's insurance declaration page or substitute document that shows the separate line item charges for the LA Citizens assessments must be attached to the return. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to your income tax return.

If you file electronically, keep your homeowner's insurance declaration page or substitute document that shows the separate line item charges for the LA Citizens assessments for 4 years. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, keep both the declaration page and the supplemental page to your income tax return.

¹ **Revision History:** This Revenue Information Bulletin was initially issued on December 27, 2006. Additional information regarding the emergency assessments, market equalization charge, and how to claim LA Citizens assessments paid before January 1, 2007 was added on January 25, 2007.