



Revenue Information Bulletin
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Corporation and Individual Income Tax
The Nature of State Tax Credit Refunds

The Department has received comments from taxpayers suggesting that the 1099G issued by the Department relative to state tax refunds should not include refunds attributable to certain state tax credits. The purpose of this Revenue Information Bulletin is to address this issue to prevent misunderstandings that may cause Louisiana taxpayers federal income tax problems.

A credit against Louisiana income tax is in fact a credit against the Louisiana income tax liability. The nature of the conditions or actions that create the credit do not change the fact the credit is part of the computation of the Louisiana income tax liability. If a refund is triggered by the amount of a credit, this amount will be included on the taxpayer's 1099G issued from the Department.

Generally, the Department will not comment on matters which exceed the range of its authority such as federal IRS provisions. However, it is the nonbinding opinion of the Department that in such factual situations (a state tax refund triggered by a state tax credit) involving itemizers the taxpayer is required to include that refund in income on the federal return of the year the refund is received to the extent required by the federal tax benefit rule. Which provision of state income tax law caused the refund is of no consequence.

The federal tax benefit rule provides that:

You must include a recovery in your income in the year you receive it up to the amount by which the deduction or credit you took for the recovered amount reduced your tax in the earlier year. For this purpose, any increase to an amount carried over to the current year that resulted from the deduction or credit is considered to have reduced your tax in the earlier year. (IRS Publication 525 Taxable and Nontaxable Income.)

Therefore, for instance, if a state tax refund is triggered because of the Louisiana Citizens Assessment Credit, it would be the Department's nonbinding opinion if the Department could rule on federal issues, that the tax benefit rule would apply to a taxpayer who took state income tax as an itemized deduction and later received a state tax refund for the same tax period due to the Citizens Assessment Credit.

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

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Secretary

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