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Individual Income Tax

The Federal Housing and Economic Recovery Act of 2008 Will Not Require Amended Louisiana Individual Income Tax Returns

The Louisiana Department of Revenue announces that taxpayers filing amended federal income tax returns solely to take advantage of the Federal Housing and Economic Recovery Act of 2008 will not be required to file amended Louisiana income tax returns.

The Federal Housing and Economic Recovery Act of 2008 was signed into law by President Bush on July 30, 2008, and became Public Law 110-289. This law allows a taxpayer who claimed a federal casualty loss due to Hurricane Katrina or Rita and who subsequently received a grant from a hurricane recovery entity, such as the Road Home program, to amend their federal income tax return to decrease the casualty loss originally claimed on that federal return and to also reduce Road Home grants subsequently included in federal taxable income.

A Louisiana taxpayer taking advantage of the federal Act may need to amend several years of federal income tax returns. They will typically be required to amend the returns for the year in which casualty losses were claimed and the year in which Road Home grants were received. Taxpayers whose Hurricane Katrina and Rita related casualty losses were large enough to create federal net operating losses may also be required to amend the federal income tax returns for years in which the resulting net operating losses were originally claimed.

Normally, a taxpayer amending the federal income tax return is required to amend the Louisiana income tax return for the same year. In this case, filing amended Louisiana returns to report the reduced federal casualty loss or net operating loss would result in an increased Louisiana income tax for those years in which the losses were reduced.

The Louisiana Legislature has taken every opportunity to lessen the income tax burden for taxpayers who were adversely affected by Hurricanes Katrina and Rita and has specifically disallowed taxation of any recovery grants. Requiring amended returns from the affected taxpayers would have the effect of imposing a tax on the Road Home grants. Therefore, for tax years ending before 2008, if the *only* change to a taxpayer's federal return is a casualty or net operating loss adjustment allowed by the Federal Housing and Economic Recovery Act of 2008 the taxpayer will not be required to file a Louisiana amended return.

For amended returns that are required to correct other items of income and expense, the starting point to determine the correct Louisiana individual income tax will be the federal and state income tax returns that were computed and filed under federal and state law as they existed before the enactment of the Federal Housing and Economic Recovery Act of 2008.

Additional information on this topic is available on the Department's website under [Frequently Asked Questions](#).

Cynthia Bridges
Secretary

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