

Revenue Ruling No. 18-001
December 21, 2018
Individual Income Tax

Louisiana Personal Exemptions Unaffected by Federal Tax Reform

Purpose

The purpose of this ruling is to explain the impact of amended Internal Revenue Code (“IRC”) Section 151 on Louisiana individual income tax provisions.

Facts

Federal Changes to Personal Exemptions

On December 22, 2017, Public Law 115-97, more commonly referred to as the Tax Cuts and Jobs Act (“Act”), was enacted into federal law, enacting the largest restructuring of the federal tax code since the Tax Reform Act of 1986. The changes are effective for tax years beginning on or after January 1, 2018.

Section 11041 of the Act amends IRC Section 151 regarding the allowance of deductions for personal exemptions. IRC Section 151(a), (b), and (c) provide for the number of exemptions a taxpayer may claim on a return (taxpayer, spouse, and dependent exemptions) and IRC Section 151(d) provides for the amount of each exemption.

IRC Section 151(d)(5) provides that the personal exemption amount is reduced to zero for the 2018 through 2025 tax years. Specifically, IRC Section 151(d)(5)(A) reduces the exemption amount to zero and IRC Section 151(d)(5)(B) clarifies that the exemptions, although valued at zero, are still allowed. Section 11041 amended IRC Section 151(d) to provide, that for the tax years 2018 through 2025, that “the term ‘exemption amount’ means zero”. The Act does not amend IRC Section 151(a), (b), or (c).

Therefore, taxpayers retain their number of exemptions from 2018 through 2025; however, the value of the exemptions is zero. For example, a married couple with two children is allowed four exemptions. Prior to tax year 2018, the exemptions were valued at \$8,000 before inflation adjustments. For tax years 2018 through 2025, the family continues to have four exemptions although the exemptions are valued at \$0.00.

A Revenue Ruling is issued under the authority of LAC 61III.101 (C). A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is a written statement issued to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.

Analysis and Discussion

Adjusted Gross Income

For individual income tax purposes, Louisiana conforms to the federal adjusted gross income calculation. Louisiana's conformity is referred to as rolling conformity, meaning as the IRC changes, Louisiana's individual income tax laws automatically change to mirror the IRC. See LA R.S. 47:293(1).

In contrast, static (or fixed-date) conformity uses federal laws as of a specific date defined in state legislation. To conform to federal changes passed after that specific date, a static conformity state must pass legislation to establish a new conformity date.

Personal Exemptions

Louisiana has rolling conformity with federal law regarding the number of allowable personal exemptions. However, Louisiana does not conform to the amount allowed for personal exemptions. LA R.S. 47:294 provides in part:

All personal exemptions and deductions for dependents allowed in determining federal income tax liability, including the extra exemption for the blind and aged, will be allowed in determining the tax liability in this Part.

Taxpayers are required to use the same filing status and claim the same exemptions on their return required to be filed under this Part as they used on their federal income tax return. The amounts to be taken into consideration shall be as follows:

A. A combined personal exemption and standard deduction in the following amounts:

<i>a. Single Individual</i>	<i>\$4500.00</i>
<i>b. Married-Joint Return and a Qualified Surviving Spouse</i>	<i>\$9000.00</i>
<i>c. Married-Separate</i>	<i>\$4500.00</i>
<i>d. Head of Household</i>	<i>\$9000.00</i>

B. An additional deduction of one thousand dollars shall be allowed for each allowable exemption in excess of those required to qualify for the exemption allowable under R.S. 47:294(A).

A Revenue Ruling is issued under the authority of LAC 61III.101 (C). A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is a written statement issued to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.

Louisiana law adopts the number of personal exemptions allowed by federal law; however, Louisiana applies its own state exemption amounts to the exemptions allowed.

Other Deductions and Credits which Reference “Dependents”

Numerous Louisiana individual income tax deductions and credits reference a taxpayer’s “**dependent**”. These provisions are not affected by the federal tax law change which reduces the personal exemption amount to zero for the 2018 through 2025 tax years. Unaffected Louisiana provisions include but are not limited to:

1. LA R.S. 47:112(F) allows an individual income tax withholding exemption for a taxpayer and spouse and allows a credit for **dependents**.
2. LA R.S. 47:293(9)(a)(viii) allows an individual income tax deduction for contributions made to a START account by a qualified account owner. A qualified account owner includes a person who claims the beneficiary as a **dependent** on their federal income tax return.
3. LA R.S. 47:297(A) allows an individual income tax credit for a taxpayer, spouse, or **dependent** who is deaf, blind, mentally incapacitated, or has lost the use of one or more limbs.
4. LA R.S. 47:297(P) allows an individual income tax credit for the construction or renovation of a dwelling to accommodate a taxpayer, spouse, or **dependent** who has a physical disability.
5. LA R.S. 47:297.2 allows an individual income tax credit for a taxpayer who maintains a household that includes physically or mentally disabled **dependents**.
6. LA R.S. 47:297.4 allows an individual income tax credit for a percentage of the federal credit allowed for child care expenses paid for the care of the taxpayer’s **dependent** which enables the taxpayer to be gainfully employed.
7. LA R.S. 47:297.8 allows an individual income tax credit for a percentage of the federal earned income tax credit which is based in part on the number of the taxpayer’s **dependents**.
8. LA R.S. 47:297.9 allows an individual income tax credit for a percentage of the amount paid by a military service member for a Louisiana hunting or fishing license for the taxpayer, spouse, or **dependent**.

A Revenue Ruling is issued under the authority of LAC 61III.101 (C). A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is a written statement issued to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.

9. LA R.S. 47:297.10 allows an individual income tax deduction for tuition and fees paid to a private elementary or secondary school required for enrollment of the taxpayer's **dependent**.
10. LA R.S. 47:297.11 allows an individual income tax deduction for educational expenses paid by a taxpayer for the home-schooling of the taxpayer's **dependent**.
11. LA R.S. 47:297.12 allows an individual income tax deduction for educational expenses paid by a taxpayer which are associated with the enrollment of the taxpayer's **dependent** in a public elementary or secondary school.
12. LA R.S. 47:6104 allows an individual income tax credit for child care expenses paid for the care of the taxpayer's **dependent** which enables the taxpayer to be gainfully employed.

Ruling

The recent federal tax law changes enacted by the TCJA retain the personal exemptions for a taxpayer, spouse, and dependents but reduce the personal exemption amount to zero for the 2018 through 2025 tax years.

Louisiana law adopts the number of personal exemptions allowed by federal law; however, Louisiana applies its own state exemption amounts to the exemptions allowed. Therefore, although the federal personal exemption amounts have been reduced to zero for the 2018 through 2025 tax years, the Louisiana individual income tax personal exemptions remain unchanged and are allowed in the amounts as provided by LA R.S. 47:294.

Additionally, the numerous Louisiana individual income tax deductions and credits which reference a taxpayer's "dependent" are not affected by the federal tax law changes which reduce the personal exemption amount to zero for the 2018 through 2025 tax years.

Kimberly Lewis Robinson
Secretary

A Revenue Ruling is issued under the authority of LAC 61III.101 (C). A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is a written statement issued to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.