

Revenue Ruling
No. 01-014
October 8, 2001

Individual Income Tax, Corporation Income Tax, and Corporation Franchise Tax

Period in which Inventory Tax Credit may be Claimed

This revenue ruling addresses the period in which a qualifying taxpayer may claim credit for payment of a qualifying inventory tax. The question has been raised whether or not the credit should be claimed in the tax period *in* which the inventory tax was paid, or in the tax period *for* which the inventory tax was paid.

The provisions of La. Rev. Stat. Ann. §47:6006 (West 2001) do not expressly answer the question that has been posed. However, the provisions of La. Rev. Stat. Ann. §47:6006(D)(1) – (5) (West 2001) provide the basis for an answer. These paragraphs state the percentage of inventory tax paid that is allowed as a credit. They make the determination based upon when the inventory tax is paid rather than the period for which the inventory tax is paid. Under the clear reading of these provisions, the inventory tax paid for an inventory tax assessment due and payable long before the enactment of the credit would be eligible for the credit if that inventory tax was not paid until one of the periods stated in La. Rev. Stat. Ann. §47:6006(D)(1) – (5) (West 2001). Eligibility for the credit and the amount of the credit are contingent upon *when* the credit is paid. No credit exists until the inventory tax is paid and there is no provision for carrying the credit to another period. The credit is properly claimed in the income tax period in which the inventory tax is paid.

Additional complications arise when considering the corporation franchise tax. The franchise tax is due on the first day of the taxable period. The tax for a given year is usually determined and due prior to the time the inventory tax creating the credit is paid within that given year. If the credit was properly claimed in the franchise tax period in which the inventory tax was paid, the only way to claim the credit against the franchise tax would be to file an amended return. The resolution to this is provided by La. Rev. Stat. Ann. §47:609(A) (West 2001), which reads, in part, “[t]he tax is due on the first day of each calendar or fiscal year and annually thereafter, and is computed on the basis of the previous calendar or fiscal year

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closing.” It is this provision that causes the revenue, assets, and year-end balance sheet of the prior year to be used for computation of the current year franchise tax. Inventory tax payments made in the prior year as of the prior year closing are to be used in computing the inventory tax credit allowed for a current year.

The periods in which inventory tax credit should be claimed are the income tax period in which the inventory tax is paid and the franchise tax period immediately following the payment of the inventory tax.

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