



**Revenue Ruling  
No. 02- 007  
May 17, 2002  
Corporation Income Tax**

**Expenses Related to Foreign Dividend Gross-Ups**

Purpose: The purpose of this Revenue Ruling is to set out the Department of Revenue's position concerning the taxability of foreign dividend gross up and related expenses.

Discussion: Foreign dividend gross ups are commonly considered to be any amounts required by I.R.C./78 (West 2001) to be included in gross income. Under the provisions of La. Rev. Stat. Ann./47:287.71(B)(5) (West 2001), foreign dividend gross ups are not subject to Louisiana corporation income tax.

Analysis: La. Rev. Stat. Ann./47:287.61 (West 2001), provides that Gross income of a corporation means the same items and the same dollar amount required by federal law to be reported as gross income on the corporation's federal income tax return for the same taxable year, subject to the modifications specified in this Part, whether or not a federal income tax return is actually filed.

I.R.C./78 (West 2001) states:

If a domestic corporation chooses to have the benefits of subpart A of part III of subchapter N (relating to foreign tax credit) for any taxable year, an amount equal to the taxes deemed to be paid under I.R.C./902(a) (West 2001)(relating to taxes paid by foreign corporation) or under I.R.C./960(a)(1) (West 2001)(relating to taxes paid by foreign corporation) for such taxable year shall be treated for purposes of this title as a dividend received by such domestic corporation from the foreign corporation.

Since foreign dividend gross-ups are required by federal law to be reported as gross income on the corporation's federal income tax return, they are income for purposes of Louisiana law. A portion of the expenses of the corporation receiving the deemed dividend income will be attributed to that deemed dividend income. However, Under La. Rev. Stat. Ann./47:287.71(B)(5), foreign dividend gross ups are not subject to Louisiana corporation income tax. Therefore, the expenses attributed to foreign dividend gross ups are disallowed under La. Rev. Stat. Ann./47:287.81 (West 2001).

Conclusion(s): Since foreign dividend gross-ups are actually income, expenses will be attributed to the foreign dividend gross-up. Because foreign dividend gross up is not taxed by Louisiana,

the expenses related to foreign dividend gross up are not deductible in computing Louisiana taxable income.

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Secretary

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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.