



**Revenue Ruling  
No. 02-009  
August 26, 2002**

**Corporation Income Tax and Individual Income Tax**

**Conformity With the Additional First Year Depreciation and Net Operating Loss Provisions  
of the Federal Job Creation and Worker Assistance Act of 2002**

Issue: Does Louisiana conform to the new depreciation and net operating loss provisions of the federal Job Creation and Worker Assistance Act of 2002?

Discussion:

In March 2002, Congress enacted Public Law 107-147, the Job Creation and Worker Assistance Act of 2002 (the Act). This revenue ruling addresses two provisions of the Act that affect Louisiana individual and corporate income tax. Among the provisions of the Act are an additional first year depreciation deduction for certain qualified property and an increased carryback period for certain net operating losses.

Section 102(a) of the Act added § 172(b)(1)(H) to the Internal Revenue Code to provide a 5-year carryback period for net operating losses for taxable years ending during 2001 and 2002. Prior to the Act, the federal carryback period was generally two years.

Section 168(k), as added by § 101 of the Act, allows an additional first year depreciation deduction for qualified property acquired and placed in service by the taxpayer after September 10, 2001. The term “qualified property” is defined in § 168(k)(2). The additional first year depreciation deduction is allowed for both regular tax and alternative minimum tax purposes for the taxable year in which the qualified property is placed in service. The additional first year depreciation is equal to 30 percent of the adjusted basis of the qualified property. The remaining adjusted basis of this property is depreciated using the applicable depreciation provisions under the Code for that type of property.

For individual taxpayers in Louisiana, the starting point for determining Louisiana tax table income is the taxpayer’s federal adjusted gross income. All additions or subtractions from federal adjusted gross income that are used in determining Louisiana tax table income are specifically set forth in La. Rev. Stat. Ann. 47:293. Because there are no modifications in La. Rev. Stat. Ann. 47:293 for net operating losses or depreciation, both the additional first year depreciation and the five-year net operating loss carryback period will be followed for Louisiana individual income tax purposes.

The starting point for Louisiana corporate income taxpayers is federal gross income. Deductions from gross income allowed by federal law are allowed for Louisiana purposes unless a specific modification is provided for in La. Rev. Stat. Ann. 47:287.73. Under La. Rev. Stat. Ann. 47:287.73(B)(1), federal net operating losses are specifically disallowed. Louisiana’s net operating loss deduction is found in La. Rev. Stat. Ann. 47:287.86, which does not tie to the federal carryback periods but provides for a three-year carryback, regardless of the allowed federal period. There is no similar modification with respect to depreciation, therefore the new federal additional first year depreciation deduction will be followed for Louisiana corporate income tax purposes.

Conclusion:

The additional first year depreciation provision of the Job Creation and Worker Assistance Act of 2002 will be followed for both individual and corporate income taxpayers. The five-year net

operating loss carryback period will be followed for individual taxpayers, but corporate taxpayers will continue to use a three-year carryback period for Louisiana net operating losses.

Cynthia Bridges  
Secretary

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