

**Revenue Ruling
No. 02- 014
September 5, 2002
Individual Income Tax**

Applicability of Corporate Income Tax Exclusion to Individual Income Tax

Purpose: The purpose of this Revenue Ruling is to determine whether the exclusion from corporate income tax for banks subject to the bank shares tax should properly be extended to individual income tax for shareholders of banks organized as S corporations.

Analysis/Discussion: The question addressed is, if a bank is an S corporation, are the individual shareholders of the S bank subject to tax on income received from the S bank.

The answer depends upon the tax period involved.

For taxable periods beginning before January 1, 2003, La. Rev. Stat. Ann. § 47:287.501(B)(1)(West 2001), provides that “Mutual savings banks, national banking corporations and banking corporations organized under the laws of the state of Louisiana who pay a tax for their shareholders or whose shareholders pay a tax on their shares of stock under other laws of this state and building and loan associations shall be exempt from taxation under this Part.”

This exemption only applies to the bank. There is no exclusion under this provision for individual shareholders of banks organized as S corporations, even though the income “flows-through” to the shareholders.

For taxable periods beginning on or after January 1, 2003, 2002 La. Acts 30, provides that individual owners of an S bank, or an entity that is a “flow-through” entity for federal income tax purposes and owns 100 percent of an S bank, may exclude income that flows through to them from an S bank that is subject to the shares tax imposed by La. Rev. Stat. Ann. § 47:1967(West 2001).

Conclusion: In compliance with 2002 La. Acts 30, there is an exclusion from individual income tax for shareholders of banks organized as S corporations for taxable periods beginning on or after January 1, 2003. No exclusion exists for individuals prior to January 1, 2003.

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