



Revenue Ruling No. 22-002
October 26, 2022
Individual Income Tax
Corporate Income Tax

**Tax Implications of Federal and State COVID-19 Assistance and Benefits for
Individuals and Businesses**

Act 54 of the 2021 Regular Session of the Louisiana Legislature provides an individual and corporate income tax exemption for all state and federal COVID-19 relief benefits. Act 54 defines such relief benefits, in pertinent part, as “any gratuitous grant, loan, rebate, tax credit, advance refund, or other qualified disaster relief benefit directly or indirectly provided... by the state or federal government as a COVID-19 relief benefit...” if the benefit was included in the corporation’s federal gross income or the taxpayer’s federal adjusted gross income. The purpose of this ruling is to determine which relief benefits may or may not qualify for the Act 54 exemption.

Application of the Act 54 Tax Exemption

For individual taxpayers in Louisiana, the starting point for determining Louisiana’s tax table income is the taxpayer’s “adjusted gross income” (“AGI”), which is defined as the adjusted gross income of the individual for the taxable year that is reportable on the individual’s federal income tax return.¹ Similarly, for corporate taxpayers in Louisiana, the starting point for Louisiana corporate income tax is federal gross income (“FGI”), which is defined as 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 allowable modifications, whether or not a federal income tax return is actually filed.²

COVID-19 relief benefits which are exempt from federal tax, and therefore not includable in the taxpayer’s adjusted gross income or federal gross income, will be exempt from Louisiana tax without a taxpayer having to claim an exemption under Act 54.

Qualifying COVID-19 Federal & State Legislation

The exemption provided for in Act 54 applies to any COVID-19 relief benefit received by a taxpayer, whether received directly or indirectly. For purposes of the exemption, Act 54 provides that the term “COVID-19 relief benefit” is defined as “any gratuitous grant, loan, rebate, tax credit, advance refund, or other qualified disaster relief benefit directly or indirectly provided to a taxpayer by the state or federal government including but not limited

¹ LA R.S. 47:293(1)

² LA R.S. 47:287.61

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to benefits provided pursuant to the Coronavirus Aid, Relief, and Economic Security Act, the Taxpayer Certainty and Disaster Relief Act, the COVID-Related Tax Relief Act, the Consolidated Appropriations Act of 2021, the State Coronavirus Relief Program, the Coronavirus Local Recovery Allocation Program, the Louisiana Main Street Recovery Program, the Critical Infrastructure Worker's Hazard Pay Rebate, and pursuant to any other existing or subsequent state or federal COVID-19 relief legislation.”³

While not specifically listed in the definition of a COVID-19 relief benefit, amounts distributed through the American Rescue Plan of 2021 will qualify for the exemption as “subsequent federal COVID-19 relief legislation.”

Accordingly, any grant, loan, forgiveness of indebtedness or other tax attribute which is otherwise includable in the federal AGI or FGI of the individual or corporation, respectively, will be exempt from Louisiana tax pursuant to Act 54.

Ruling

The following COVID-19 relief benefits are included in a taxpayer’s federal AGI or FGI and, absent a Louisiana modification, would be subject to Louisiana income tax.⁴ However, Act 54 exempts benefits from the following sources from Louisiana income tax:

- Coronavirus Relief Grant Funds⁵
- Provider Relief Fund Payments⁶
- Granting Unserved Municipalities Broadband Opportunities Funds
- Louisiana Rescue Plans Fund
- Louisiana Loggers Relief Program
- Louisiana Save Our Screens Program
- Louisiana Small Business and Nonprofit Assistance Program⁷
- Louisiana Tourism Revival Fund
- The Water Sector Program
- Gulf States Marine Fisheries Commission Payments
- Coronavirus Relief Loans subsequently forgiven
- HHS Provider Relief Fund Payments

³ LA R.S. 47:297.16(B)

⁴ Federal economic impact payments, or stimulus payments, are not taxable at the federal level, and therefore not included in the taxpayer’s AGI. If economic impact payments are recaptured at the federal level, no state adjustment is required because the income was not taxable for Louisiana individual income tax purposes. [See IRS FAQs.](#)

⁵ See RIB 21-019 for additional information concerning Louisiana Main Street Recovery Grants.

⁶ See RIB 21-019 for additional information concerning Frontline Workers COVID-19 Hazard Pay Rebates.

⁷ This exemption would be applicable to the extent amounts received constitute unrelated business taxable income in the hands of a nonprofit.

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- Payroll Support to Passenger Air Carriers, Cargo Air Carriers, and Certain Contractors⁸
- Coronavirus Food Assistance Program
- Emergency Rental Assistance (in the hands of the lessor)
- Coronavirus Economic Relief for Transportation Services (CERTS) Act
- Medicaid per diem increase of \$12 per day for privately-owned or -operated nursing facilities and hospital leave rates
- CFAP and CFAP2 payments received by farmers from the USDA
- Coronavirus-Related Distributions from a retirement plan to the extent included in federal AGI
- COVID-19-Related Tax Credits for Paid Leave Provided by Small and Midsize Businesses
- American Rescue Plan (ARP) Act Child Care Stabilization Grants
- Louisiana Child Care Assistance Provider (LaCAP) Relief Grant for Child Care Assistance Program (CCAP) child care providers

Non-Qualifying COVID-19 Federal & State Legislation

- Income received from the Higher Education Emergency Relief Fund is not includable in a taxpayer's AGI and would not be subject to Louisiana tax.
- Rental Assistance Programs where funds are allocated by the CARES to assist property owners to cover unpaid rents. This assistance is a benefit conferred on the tenant, not the property owner.
- Federal Employee Retention Credit (ERC), as authorized by Section 2301(e) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).⁹

Corporate Expenses Not Deductible

For corporate taxpayers¹⁰, Louisiana law disallows any deduction that is attributable to income that does not bear Louisiana income tax.¹¹ No deduction is allowed for expenses that were paid using qualifying COVID-19 relief benefits and that would otherwise be deductible.

Fraudulent Forgiveness of Paycheck Protection Program (PPP) Loans

The Internal Revenue Service issued guidance on September 16, 2022¹², regarding the proper treatment of PPP loans which are forgiven due to inaccurate or fraudulent representation by the taxpayer. The guidance provided that taxpayers may not exclude the amount of a forgiven PPP loan from gross income when: 1) they do not satisfy the conditions

⁸ This exemption would be applicable to the amounts in excess of the fair market value of the warrants, options, or preferred stock, plus the issue prices of any debt securities or notes issued

⁹ See Revenue Ruling 22-001 for the application of the 280C expense deduction to ERC

¹⁰ The term "corporate taxpayers" includes all entity taxed as corporations by Louisiana.

¹¹ LA R.S. 47:287.81

¹² I.R.S. Gen. Couns. Mem. 200237010 (September 16, 2022)

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to have their PPP loan forgiven, and 2) they misrepresent the facts causing the lender to forgive the PPP loan.

For Louisiana income tax purposes, ill-gotten gains, whether taxable or subject to forgiveness at the federal level, remain subject to state income tax. No exemption under Act 54 shall apply when “any gratuitous grant, loan, rebate, tax credit, advance refund, or other qualified disaster relief benefit directly or indirectly provided... by the state or federal government as a COVID-19 relief benefit...” is forgiven due to fraud perpetrated by the taxpayer.

Claiming the Exemption for the 2020 or 2021 Income Tax Year

Taxpayers seeking to claim the exemption provided in Act 54 must report the exempt income on their 2020 or 2021 Louisiana tax return as provided below:

Corporate

- Form CIFT 620, Schedule F, Line 3j

Individual

- Form IT-540, Schedule E, Code 27E (for resident individuals)
- Form IT-540B, Nonresident and Part-Year Resident (NPR) Worksheet, Code 27E (for nonresident or part-year resident individuals)

Partnerships with Corporate Partners

- 2021 Form IT-565, Schedule H, Line 3f
- 2020 Form IT-565, Schedule Q, Line 3f

Entities Subject to the Pass-Through Entity Tax Election

- Form CIFT 620, Schedule F, Line 3j

Flow Through Entities

- Flow-through entities must provide the exempt income information to their shareholders, members, or partners on a K-1 or on the entity’s letterhead, a copy of which must be attached to the individual state income tax return. The individual will report the exemption as directed above.
- The exemption is allowed to reduce the shareholder, members, or partners’ AGI in the case where the taxpayer did not have any income from the entity that received the benefit because the entity reported a loss for the tax year. The benefits are still included in income even though the business has a loss and the NOL passed through is smaller because of grant being included.

Kevin J. Richard, CPA
Secretary

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