

2016 Legislative Changes and 2016 Tax Changes

LOUISIANA

DEPARTMENT *of* REVENUE



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The information in this presentation
constitutes "informal advice" as
contemplated by LA Administrative Code
61:III.101.D.3.

Prepaid 911 Service Fee

- Effective 10/1/16, rate increased to 4%.
- The fee is reported quarterly, and the quarter beginning 10/1/2016 is not due until 1/20/2017.
- A prepaid 911 service is defined as a commercial mobile radio service as defined by 47 C.F.R. 20.3 in addition to any other service capable of accessing 911 through the use of voice, text, video, image, data, or any other means.

Prepaid 911 Service Fee

- Return is mandated to be filed electronically. Available in LaTAP.
- Due to change in compensation to vendors, there will be a new return for 12/2016 quarter and a new return for 03/2017 quarter.
- Act 590 of 2016 Regular Session;
 - R.S. 33:9109.1 through 9109.2

Sales Tax

- Claims for Refund (R.S. 47:1520.2)
 - Act 446 of 2016 Regular Session requires electronic filing of all schedules and invoices for:
 - all refund claims of \$25,000 or more and
 - all refund claims made by a tax preparer on behalf of the taxpayer, regardless of the amount of the refund requested.
 - Does not apply to Louisiana Tax Free Shopping Program to refund for Bad Debt.
 - RIB No. 16-040

Sales Tax

- Claims for Refund (R.S. 47:1520.2)
 - Taxpayers can send an email to **LDRTax.Refunds@La.gov** requesting a secure portal be opened to upload claims for refunds.

Sales Tax

○ Annual Reporting of Sales Tax Exemptions

- Act 6 of 2016 2nd Extraordinary Session
- Requires annual reporting from certain taxpayers of annual gross sales that are not taxed due to certain exemptions.
- Report is due 9/30 for FY that just ended. First report will be due 9/30/16
- Form R-1090, Annual Reporting Requirement by Certain Nonprofit Entities

Sales Tax

- We received reports from 65 entities.
- \$90M in sales reported. 2 largest:
 - Sales of admissions to athletic and entertainment events at elementary or secondary schools \$19M
 - Sales of meals an educational institution, medical facility, or mental institution \$71M

Withholding Income Tax

- L-3 and W-2's for 2016 tax year is due 1/31/17
 - Act 662 of 2016 Regular Session

*If attaching 50 or more W-2's must file electronically

Corporation Income & Franchise Tax

- 2015 and prior years-
 - Reversal of reduction to banking dividends exclusion
 - Act 1 of 2016 1st Extraordinary Session; R.S. 47:287.71(B)
 - effective for tax returns filed on or after 1/1/2015
 - Net Operating Loss
 - Discussed later.

Corporation Income & Franchise Tax

- 2016 return – Income tax
 - Certain deductible interest expenses, intangible expenses, and management fees must be added-back when computing CIT
 - Act 16 of 2016 1st Extraordinary Session
 - Form to report the add-backs – R-6950
 - See handout for copy

Corporation Income & Franchise Tax

Schedule 2016F – Reconciliation of Federal and Louisiana Net Income		
See R.S. 47:287.71, R.S. 47:287.73, and R.S. 47:287.82 for information.		
	Column 1	Column 2
1. Enter the total net income calculated under federal law before special deductions.		
2. Additions to federal net income:		
a. Louisiana income tax		
b. Related members interest\intangible\management fee expenses or costs. From Form R-6950 (see instructions).		
c. Other additions – Attach schedule.		
d. Total additions – Add Lines 2a through 2c.		
3. Subtractions from federal net income:		
a. Dividends		
b. Interest		
c. Road Home – The amount included in federal taxable income		
d. Louisiana depletion in excess of federal depletion		
e. Expenses not deducted on the federal return due to Internal Revenue Code Section 280C		
f. Exempt amount of related members interest\intangible\management fee expenses or costs. From Form R-6950 (see instructions).		
g. Other subtractions – Attach schedule.		
h. Total subtractions – Add Lines 3a through 3g.		
4. Louisiana net income from all sources – The amount should agree with Schedule 2016D, Line 25.		

Corporation Income & Franchise Tax

2016 return – Income tax

- Income apportionment factor - Most taxpayers will now use single sales factor.
- Act 8 of 2016 2nd Extraordinary Session

Schedule 2016B – Computation of Income Tax Apportionment Percentage			
Description of items used as ratios	1. Total amount	2. Louisiana amount	3. Percent
1. Net sales of merchandise and/or charges for services			
A. Sales			
B. Charges for services			
C. Other gross apportionable income			
D. Total – Add the amounts in Columns 1 and 2.			
2. For certain oil & gas businesses only. Wages, salaries, and other personal service compensation paid during the year. (See instructions.) Ratio not used. Check box. <input type="checkbox"/>			_____ %
3. For certain oil & gas businesses only. (See instructions.) Income tax property ratio – Enter percentage from Schedule 2016C, Line 24. Ratio not used. Check box. <input type="checkbox"/>			_____ %
4. ONLY corporations primarily in the oil and gas business, enter ratio from Line 1D, Column 4 (See Instructions.)			_____ %
5. Total of percents in Column 3			_____ %
6. Average of percents — Divide Line 5 by applicable number of ratios. Enter here and on CIFT-620, Line D.			_____ %

Corporation Income & Franchise Tax

○ 2016 return

- Due date is now 5/15 for calendar year filers.
- Fiscal year filers is the 15th day of the fifth month after the close of the fiscal year
 - Act 661 of 2016 Regular Session; R.S. 47:103, 287.614, 287.651, and 609.

Corporation Income & Franchise Tax

- 2016 return - 2017 Franchise tax
 - LLC's treated as a Corporation for income tax are subject to franchise tax effective for Franchise tax year 2017
 - Act 12 of 2016 1st Extraordinary Session; R.S. 47:601(C)
 - 1 exception in law for LLC's that qualify & eligible to make election to be treated as an S-Corp.
 - Initial franchise tax does not apply. Need to pay actual.
 - Holding Company Deduction
 - Act 12 of 2016 1st Extraordinary Session; R.S. 47:602

Net Operating Loss

- NOL's is limited to 72% of LA Net Income
 - Act 6 of 2016 1st Extraordinary Session; R.S. 47:287.86
 - Applies to any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates. Act 2 of 2016 2nd Extraordinary Session clarifies that Act 6 of 2016 1st ES didn't apply to amended return where NOL deduction was claimed on original.
- The limitation on NOL's is 72% of the available NOL's limited to 72% of LA Net Income

Net Operating Loss

- 2015 & 2016 return- On Line 1C, enter the total amount of net operating loss carryforward available.
- On Line 1C1, enter the amount of Line 1C that is being used to reduce Louisiana net income. Act 123 of the 2015 Regular Legislative Session reduced the amount that actually offset net income by 28 percent.
 - If Line 1C is equal to or greater than Line 1A, Line 1C1 is equal to 72 percent of Line 1A.
 - If Line 1C is less than Line 1A, Line 1C1 is equal to 72 percent of 1C.
- For 2014 and prior years, attach Form R-620GIW.

Net Operating Loss

tax year	2014	2015	2016	2017	2018
filed on	8/16/2015*	4/16/2016	4/16/2017		
valid extension	yes	N/a	N/a		
Net Income	\$ 10,000.00	\$ 15,000.00	\$ 10,000.00	\$ 35,000.00	\$ 45,000.00
NOL available from 2011	\$ (45,000.00)	\$ (35,000.00)	\$ (24,200.00)	\$ (17,000.00)	\$ (17,000.00)
NOL available from 2012	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)	\$ (9,800.00)
NOL available from 2013	\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ -
1/3 from Act 123	n/a	n/a	n/a	\$ (934.00)	\$ (934.00)
Total NOL available	\$ (80,000.00)	\$ (70,000.00)	\$ (59,200.00)	\$ (52,934.00)	\$ (27,734.00)
NOL that can be used	\$ 7,200.00	\$ 10,800.00	\$ 7,200.00	\$ 25,200.00	\$ 19,296.00
NOL that can be used				\$ 934.00	\$ 934.00
total NOL that can be used	\$ 7,200.00	\$ 10,800.00	\$ 7,200.00	\$ 26,134.00	\$ 20,230.00
28% reduction that can be CF	\$ 2,800.00				

Corporation Franchise Tax

○ Initial Franchise tax

- Initial franchise tax was increased to \$110.
 - Act 12 of 2016 1st Extraordinary Session; R.S. 47:611
- LLC's treated as a Corporation for income tax are subject to franchise tax effective for Franchise tax year 2017
 - Act 12 of 2016 1st Extraordinary Session; R.S. 47:601(C)
 - 1 exception in law for LLC's treated as an S-Corp
- Extension granted to file and pay. RIB 17-006

Partnership Return

◉ 2016 return

- Due date changed to 4/15 for calendar year filers.
- Fiscal year filers is the 15th day of the 4th month after the close of the fiscal year
 - Act 661 of 2016 Regular Session; R.S. 47:103(A)(2)

Individual Income Tax

○ 2016 return

• Capital Gain Deduction

- Act 11 of 2016 2nd Extraordinary Session; R.S. 47:293(9).
- Effective for sales/exchanges on or after 6/28/16
- To qualify for deduction, need to have held business for at least 5 years immediately prior to sale or exchange
- New worksheet needs to be attached- R-6180

Individual Income Tax

- 2016 return
 - Capital Gain Deduction

Entity was domiciled in LA for at least:	Deduction is equal to:
5 years but less than 10 years	50%
10 years but less than 15 years	60%
15 years but less than 20 years	70%
20 years but less than 25 years	80%
25 years but less than 30 years	90%
30 years or more	100%

Individual Income Tax

- 2016 return--New donations of refund
 - Friends of Palmetto Island - Act 187 of 2016 Regular Session.
 - The American Rose Society - Act 290 of 2015 Regular Session.
 - The Extra Mile - Act 349 of 2015 Regular Session
 - Louisiana Naval War Memorial Commission; U.S.S. KIDD – Act 388 of 2015 Regular Session
 - Children’s Therapeutic Services at the Emerge Center – Act 388 of 2015 Regular Session.

Individual Income Tax

○ 2016 return

- Extensions- Act 461 of 2016 Regular Session - LDR may accept copy of paper federal extensions.
- Submit Form R-2867, Transmittal of Federal Extension, along with a copy of your federal paper extension or a copy of the receipt for an electronically filed federal extension.

Tax Credits

Tax Credits

- Act 23 of 2016 1st Extraordinary Session -
Applicable to taxable periods beginning on or
after January 1, 2016.
 - Transferable credits must be purchased by due date of
return without regard to extension.
 - Changed the priority of credits to:
 - Nonrefundables with no carry forward.
 - Refundable credits (except inventory tax credit and ad valorem
natural gas credit.)
 - Nonrefundables with carryforward provisions.
 - Nonrefundable, transferable credits.
 - Inventory tax credit and ad valorem natural gas credit
 - Estimated payments, the credit for withholding, and other
payments of tax.

Tax Credits

Because of this change, credits have been moved and there are 2 new schedules for credits. The new order, and the associated lines or schedules for Resident return are:

- Nonrefundable credits that have no carry forward provisions
 - Line 12 and Schedule C – Nonrefundable Priority 1 credits
- All refundable credits other than the credit provided for in R.S. 47:6006
 - Lines 15 through 18 and Schedule F - Refundable Priority 2 Credits
- Nonrefundable credits with a carry forward
 - Schedule J - Nonrefundable Priority 3 Credits
- Refundable Credits provided in R.S. 47:6006
 - Schedule I - Refundable Priority 4 Credits
- Withholding, credit carried forward of overpayments, estimated payments and payments made with extension.

Tax Credits

- Act 29 of 2016 1st Extraordinary Session –
 - Extends the reductions made to tax credits in Act No. 125 of the 2015 Regular Session through the sunset date of the provisions of the Act 26 of the 2016 First Extraordinary Session of the Legislature of Louisiana.
 - Reductions from 2015 still applies.

Tax Credits

- Credit for Citizen Property Insurance assessment is now 25% of assessment for amounts paid on or after 1/1/2016 effective 7/1/16.
 - Act 9 of 2016 2nd Extraordinary Session; R.S. 47:6025
 - 2016 540INS and 620INS have been revised.
- Act 661 of 2016 Regular Session
 - transferable credit must be purchased on or before due date of return or executed binding agreement must be in place.
 - LDR will have a form

Inventory Tax credit

○ New definition of inventory

- Act 415 of 2015 Regular Session
- for purposes of this credit, inventory means items of tangible personal property that are:
 - held exclusively for sale in the ordinary course of business,
 - in the process of production for subsequent sale, or
 - to physically to become a part of the production of such goods.
- Act 415 also enacted listings of specific items that are included and not included in inventory. In addition to items that are clearly included by the enacted definition, the following items are included in inventory: used goods or trade-in merchandise; by-products of a manufacturer; and raw materials and supplies that will be consumed in the Louisiana manufacturing process.
 - Not included in inventory are: oil stored in tanks held by a producer prior to the first sale of the oil; items that haven been leased by the taxpayer; items that the taxpayer has depreciated for federal income tax purposes; items that have been used by the taxpayer and have been owned for more than eighteen months; and certain items stored in the state for use in interstate commerce.

Inventory Tax credit

- Acts 4 and 5 of 2016 2nd Extraordinary Session
- Applies to any return filed on or after 7/1/16 regardless of year
- R-10610 - use to calculate the credit
 - ITEP provisions apply to manufacturer with contract, not whole consolidated group. (Form R-10610-ITE)
 - New business provisions apply to new business only, not whole consolidated group.

Inventory Tax credit

Inventory Tax credit (cont.)

ad valorem tax paid by consolidate group, or by TP if no consolidated	ongoing business	new business as of 4/15/16	ITEP
< \$10,000	100% excess refunded	100% excess refunded	credit is limited to tax; excess CF
> \$10,000 but < \$500,000	100% excess refunded	75% of excess refunded; bal of excess carried forward	
> \$500,000 but < \$1m	75% of excess refunded; bal of excess carried forward	75% of excess refunded; bal of excess carried forward	
>\$1m	excess: 75% of first \$1m is refunded; bal of excess is CF		

Inventory Tax credit

- What worksheet to use:

1st return with credit filed:	2014 & prior tax years	2015 tax year	2016 tax year
Prior to 7/1/15	Page 1 of R-10610	N/A	N/A
7/1/15 to 6/30/16	R-620CRW R-540CRW	R-10610 (1/16)	N/A
On or after 7/1/16	R-10610(7/16) R-10610-ITE(7/16)	R-10610(7/16) R-10610-ITE(7/16)	R-10610(1/17) R-10610-ITE(1/17)

Inventory Tax credit

- For returns filed on or after 7/1/15, if the taxes paid on inventory is greater than \$10,000, 75% of the amount of the credit in excess of the tax is refundable. The remaining 25% of the excess can be carried forward as a nonrefundable credit. See Revenue Information Bulletin 15-019. Example:
 - 2014 return filed sometime between 7/1/15 and 6/30/16.
 - \$19,253 = Taxes paid on inventory
 - \$0 = Tax liability
 - \$19,253 = the excess of the credit over tax
 - \$14,440 = the 75% that is refundable.
 - \$4,813 = is a nonrefundable carry forward of the credit.

Inventory Tax credit

- For returns filed on or after 7/1/16, Acts 4 and 5 of the Second Extraordinary Session applies.
 - For the 2015 return, the \$4,813 carry forward from 2014 would be reported on Schedule NRC using credit code 218. The way Act 133 of the 2015 Regular Legislative Session was written, it created a nonrefundable credit that is not part of the calculation under Acts 4 and 5. Since the current amount of the credit is less than \$500,000, it would be fully refunded.

Other Items

Interest Paid on Refunds

- Act 10 of 2016 2nd Extraordinary Session
 - Effective for any refunds issued on or after 9/1/2016
 - Interest will begin to accrue 90 days from the later of:
 - Date the return was received
 - Due date of the return, or
 - Date the tax was paid

Others

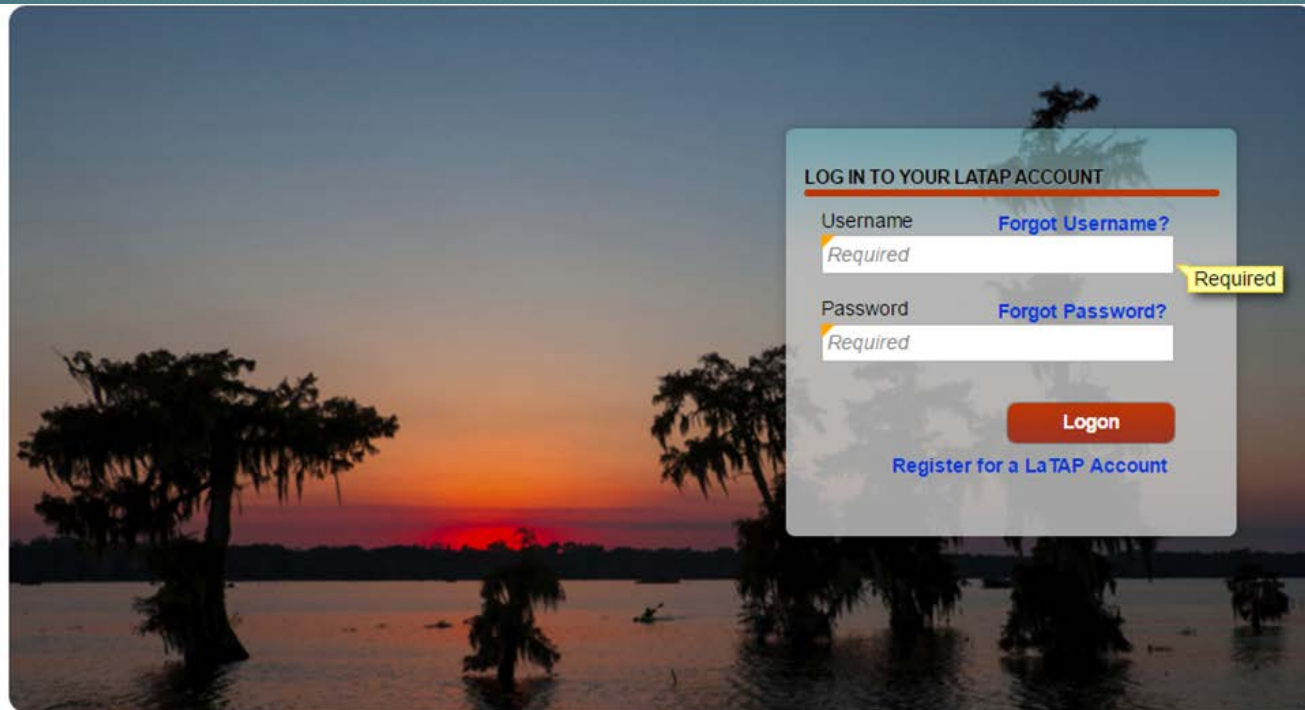
- Act 663 of 2016 Regular Session
 - Quality Jobs
- Act 664 of 2016 Regular Session
 - Competitive Payroll Projects
- Act 666 of 2016 RS
 - Oilfield Site restoration

Disaster extensions

◉ 2016 Flood

- LDR placed stopped billing indicators on all in zip codes.
 - Extended due date is in background, no interest/penalties will be assessed.
- Filing extensions- see RIB No. 16-047
- Good news for preparers...

Disaster extensions



Register A Business

Click here to register your new business with the Louisiana Department of Revenue or add more business tax accounts.

Submit a Document

If LDR has requested documents from your business, you can submit them electronically here. It's quick and easy, and you'll get confirmation today that we received them!

Bond Attachment

Need to send your bond information to LDR? Just click Bond Attachment to get started. It's quick and easy, and you'll get confirmation today that we received your information.

ID Verification Quiz

If you received a letter from the LDR requesting ID verification, then please click this link to take a Verification Quiz.

2016 Flood Extension

If you are a tax preparer in one of the affected parishes, please click this link to submit important tax information for your clients so that extensions may be granted.

Natural Disaster Refunds

- Revenue Information Bulletin No. 16-049
- NaturalDisasterRefund@la.gov
- Request form has been updated for change in sales tax rates

Natural Disaster Sales Tax Refund Claims

Form	Period	Download
R-1362 Natural Disaster Claim for Refund of State Sales Taxes Paid (R-1362D and R-1362S are also contained in this form.)	08/01/2016 - present	Form R-1362 Form R-1362i Instructions

Interest Rates

Interest rates has changed for the 2017 year. See RIBs for more information.

17-002

2017 Judicial Interest Rate to Be Paid On Refunds

17-001

2017 Interest Rate Collected on Unpaid Taxes

THE END

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