

2018 TAX CHANGES

LOUISIANA

DEPARTMENT *of* REVENUE

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**The information in this
presentation constitutes
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Administrative Code
61:III.101.D.3.**

2018 INCOME AND FRANCHISE TAX CHANGES

Fiduciary

Corporation
Income &
Franchise

Individual
Income

- **2015 Legislation Recovery**
- **Individual Income Tax**
- **Corporation Income & Franchise Tax**
- **Tax Credits**

ITEMS
TO BE
DISCUSSED

2015 LEGISLATION RECOVERY

■ Tax Credits

- IT-540, IT-540B, IT-540B-NRA, CIFT 620, IT-541 and R-6922
- Acts 109 and 125 of the 2015 Regular Session reduced certain income tax credits.
- Section 3(C) of Act 109 and Section 7 of Act 125 allow a recovery of the credit amount reduced by the Acts if your 2014 return was filed after July 1, 2015, for which an extension was requested prior to July 1, 2015.
- Recovery must be taken over 3 years.
- One-third to be taken in tax year beginning in 2017, 2018 and 2019.
- Nonrefundable credit- Recovery amount is for the amount that would have offset tax.

2015 LEGISLATION RECOVERY

- Mark the “2015 Legislation Recovery” box to indicate taxpayer is claiming the recovery amounts.
- Must attach Form:
 - R-6410, 2015 Legislation Recovery Worksheet
 - R-6411, 2015 Legislation Recovery Worksheet - Corporation, Fiduciary, and Composite Partnership.
- See Revenue Information Bulletin 17-018 for more information. (To be issued)
 - No recover for Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment standalone form

2015 LEGISLATION RECOVERY

■ Certain Exclusions and Deductions

■ CIFT 620

- Act 123 of the 2015 Regular Session reduced certain exclusions and deductions from income. Section 5 of Act 123 allows a recovery of the exclusion or deduction amounts reduced by the Act if your 2014 return was filed after July 1, 2015, for which an extension was requested prior to July 1, 2015.
- Mark the “2015 Legislation Recovery” box to indicate taxpayer is claiming the recovery amounts.
- Attach a schedule listing each deduction or exclusion disallowed, the total amount before reduction, the reduction amount, and the 1/3 amount being recovered on the return.
- See Revenue Information Bulletin 17-018 for more information.

2018 INDIVIDUAL INCOME TAX

■ Consumer Use Tax

- Lines 24A and 24B
- Consumer Use Tax is 9 percent through June 30, 2018.
- Act 1 of the 2018 Third Extraordinary Legislative Session reduced the use tax to 8.45 percent tax for purchases made on or after July 1, 2018. (R.S. 47:302(K))
- Can also utilize the R-1035, Louisiana Consumer Use Tax Return.
 - Return is now year specific
 - Can be filed on LaTAP
- Remote retailers are still required to send notice of purchases by January 31st each year.

2018 INDIVIDUAL INCOME TAX

SCHEDULE D – DONATION OF REFUND

The following new organizations appear on Schedule D

- Louisiana Horse Rescue Association – Line 19
- Louisiana Coalition Against Domestic Violence – Line 20

2018 INDIVIDUAL INCOME TAX

SCHEDULE C – NONREFUNDABLE PRIORITY 1 CREDITS

■ Credit for Taxes Paid to Other States – Line 1

- Act 6 of the 2018 2nd Extraordinary Session extended the limitations imposed by Act 109 of the 2015 Regular Session.
- It also limited the credit to the amount of taxes paid to the other state, or the amount determined by multiplying the taxpayer's Louisiana income tax liability by a fraction, the numerator of which is the taxpayer's Louisiana tax table income attributable to the other state to which net income taxes were paid, and the denominator of which is total Louisiana tax table income. (R.S. 47:33)
- R-10606, Supplemental Worksheet for Credit for Taxes Paid to Other States for IT-540 and IT-541, being revised
- Revenue Information Bulletin 18-029.

2018 INDIVIDUAL INCOME TAX

SCHEDULE E – ADJUSTMENTS TO INCOME

- **Entity Level Taxes Paid to Other States – Code 23E –**
 - Act 6 of the 2018 2nd Extraordinary Session
 - A deduction for an individual partner, member, or shareholder's proportionate share of an entity-level tax paid to other states that is based solely upon net income included in the entity's federal taxable income without any capital component.
 - The deduction is for the taxpayer's share of the tax paid during 2018 and is limited to the extent that the proportionate share of the related income is or was taxed by Louisiana.
 - Documentation will need to be provided.
 - Revenue Information Bulletin 18-029 (R.S. 47:33)

2018 INDIVIDUAL INCOME TAX

SCHEDULE C – NONREFUNDABLE PRIORITY 1 CREDITS

- **Small Town Health Professionals– Code 115 –**
 - Act 342 of the 2017 Regular Session
 - The Small Town Doctor/Dentist credit was renamed to Small Town Health Professionals credit
 - Primary care nurse practitioners now qualify.
 - Taxpayers must apply to the Louisiana Department of Health each year to qualify for that tax year. Application is available on their website and can be completed online at www.ldh.la.gov or mailed to LDH.
 - A copy of the certificate letter from LDH must be attached to the return. The credit amount is listed on the certificate letter and is limited to tax.
 - For more information, see Revenue Information Bulletin 18-028 and Louisiana Administrative Code (LAC) 61:I.1915. (R.S. 47:297(H))

2018 INDIVIDUAL INCOME TAX

SCHEDULE C – NONREFUNDABLE PRIORITY 1 CREDITS

- **Small Town Health Professionals– Applying for credit**
 - Application period for 2018 is October 1, 2018 - November 30, 2018.
 - If you previously qualified but have not reached the 5 year limit, YOU NEED TO APPLY TO QUALIFY.
 - Application period for future years will be September 1 - October 31 each year.
 - By December 31 of each calendar year, LDH will issue a tax certificate letter notifying the taxpayer as to whether the application has been approved or denied.
 - If approved, the tax certificate letter will notify the taxpayer of the maximum amount eligible, the taxable period against which the nonrefundable credit may be used, and the time period during which the credit must be claimed.
 - If denied, the letter will provide the reason for denial.
 - By January 31st of the succeeding calendar year, LDH will provide to LDR a list of all approved applicants.

2018 INDIVIDUAL INCOME TAX

SCHEDULE C – NONREFUNDABLE PRIORITY 1 CREDITS

■ **Small Town Health Professionals– Credit Cap**

- There is a \$1.5 million per calendar year credit cap on credits granted and claimed on or after January 1, 2018.
- For purposes of administering the credit cap, LDH will count each approved application at a value of \$3,600, or if subject to proration, the pro rata value.
- Applications are approved on a first-come, first-served basis as determined by the postmarked or received date of a completed application.
- All applications received on the same business day will be treated as received at the same time, and if the aggregate amount of requests received on the same business day exceeds the total amount of available tax credits, tax credits will be approved on a pro rata basis.
- In such instance, applicants limited by the credit cap provisions will be eligible for only the pro rata share of their credit. This will be notated on certificate letter.

2018 INDIVIDUAL INCOME TAX

SCHEDULE F – REFUNDABLE PRIORITY 2 CREDITS

- **School Readiness Child Care Directors and Staff – Code 66F –**
 - The amount of the credit is adjusted each year if there is an increase in the Consumer Price Index Urban (CPI-U).
 - The credit amount for 2018 can be found at www.revenue.louisiana.gov/SchoolReadiness. (R.S. 47:6106)

2018 INDIVIDUAL INCOME TAX

SCHEDULE J – NONREFUNDABLE PRIORITY 3 CREDITS

- **Child Care Credit Carried Forward From 2013 through 2017 – Line 3** –For the 2018 tax year, credits from 2013 through 2017 can be applied on Line 3. Any remaining child care credit from 2012 cannot be applied to the 2018 tax liability. (R.S. 47:297.4)
- **School Readiness Credit Carried Forward From 2013 through 2017 – Line 5** –For the 2018 tax year, credits from 2013 through 2017 can be applied on Line 5. Any remaining credit from 2012 cannot be applied to the 2018 tax liability. (R.S. 47:6104)

2018 INDIVIDUAL INCOME TAX

SCHEDULE J – NONREFUNDABLE PRIORITY 3 CREDITS

■ **Owner of Accessible and Barrier-free Home – Code 221**

- Act 270 of the 2017 Regular Session
- The credit is for the lesser of \$5,000 or the cost of the construction or renovation, and is taken in the taxable year that the construction or renovation is completed.
- Unused credit can be carried forward for up to 5 years.
- The total amount of credits granted in any calendar year is limited to \$500,000 and the credits will be granted on a first-come, first-serve basis.
- Revenue Information Bulletin 18-027. (R.S. 47:297(P))

■ **Use credit code 145 on Schedule C to report the Act 125 recovery amount.**

- **Owner of Newly Constructed Accessible Home Act 125 Recovery - Code 145**

2018 INDIVIDUAL INCOME TAX

Nonresident Return

- **"Nonresident Return" and "Part-Year Return" boxes –**
 - Boxes was added to the return to indicate if you are filing as a nonresident or a part-year resident. One of the two boxes must be marked. This will help with calculation of UET.

CORPORATION INCOME & FRANCHISE TAX

	LLC treated as for federal purposes:		
	Partnership	Subchapter S*	Subchapter C**
2015 and prior tax years			
Corporation Income	Not subject to CIT	Subject to CIT; takes exclusion	Subject to Corporation Income Tax
Franchise	Not subject to Franchise Tax	Not subject to Franchise Tax	Not subject to Franchise Tax
2016 and forward			
Income	Not subject to CIT	Subject to CIT; takes exclusion	Subject to Corporation Income Tax
Franchise	Not subject to Franchise Tax	Not subject to Franchise Tax	Subject to Franchise Tax

*Any LLC qualified and eligible to make an election to be taxed in accordance with the provisions of 26 U.S.C. Subtitle A, Chapter 1, Subchapter S on the first day of the franchise tax period is not subject to franchise tax.

**Any other entity that was acquired during the period January 1, 2012, to December 31, 2013, by an entity that was taxed pursuant to 26 U.S.C. Subtitle A, Chapter 1, Subchapter S, is not subject to franchise tax.

INITIAL FRANCHISE TAX

- Act 661 of 2016 Regular Session changed
 - 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
 - We missed due date for Initial Franchise Tax return
 - Revenue Information bulletin No. 17-006 granted 30 day extension.
- Act 86 of 2018 Regular Session
 - Changed the due date to on or before the 15th day of the fourth month after the month in which the tax is due.

DEDUCTIONS AND TAX CREDITS

COMPENSATION FOR DISASTER SERVICES

CIFT-620, SCHEDULE F – RECONCILIATION OF FEDERAL AND LOUISIANA NET INCOME

IT-540B, Nonresident and Part-Year Resident (NPR) Worksheet

- Act 358 of the 2017 Regular Session
- Exclusion for income received by:
 - an out-of-state employee for performing disaster or emergency-related work, or
 - an out-of-state business for performing disaster or emergency-related workwithin the state during a declared or emergency period beginning January 1, 2018.
- Requests for written notice concerning emergency-related services are posted as Revenue Information Bulletins on LDR's website.
- (R.S. 47:53.5)

DONATION TO SCHOOL TUITION ORGANIZATION CREDIT – CODE 213

- Act 377 of the 2017 Regular Session changed the Student Tuition Organization (STO) rebate to a nonrefundable credit for donations made on or after January 1, 2018
- Nonrefundable Priority 3 Credit
 - Limited to tax
 - Unused credits may be carried forward for a period not to exceed three years.
- The donor must be a taxpayer who is required to file a Louisiana income tax return and if the credit is claimed, no other Louisiana tax benefit is allowed for the same donation.
- Revenue Information Bulletin 18-024. (R.S. 47:6301)

ADD BACK OF DONATION TO STUDENT TUITION ORGANIZATION CREDIT

IT-540, SCHEDULE E – ADJUSTMENTS TO INCOME

IT-540B, Nonresident and Part-Year Resident (NPR) Worksheet

CIFT-620, SCHEDULE F – RECONCILIATION OF FEDERAL AND
LOUISIANA NET INCOME

- Act 377 of the 2017 Regular Session provides for a prohibition on double state benefits for a donation to a school tuition organization.
 - Deduction from income for charitable contribution
 - Credit against tax for the donation

ADD BACK OF DONATION TO STUDENT TUITION ORGANIZATION CREDIT

- If you claimed the credit for a donation to school tuition organization, you must add back certain deductions taken at the federal level otherwise deductible for state income tax purposes if the following conditions are met:
 - **INDIVIDUALS**
 - Your federal itemized deductions allowed by Internal Revenue Code Section 170 included the donation made to the school tuition organization as a charitable contribution on Schedule A attached to Federal Form 1040; and
 - You claimed the excess federal itemized personal deduction on Form IT-540, Line 8C for the tax year in which the donation was made.

The amount required to be added back is the difference between the amount reported on Form IT-540, Line 8C and the recalculated excess federal itemized personal deduction after removing the donation from the individual's federal itemized personal deduction for the tax year in which the donation was made.

ADD BACK OF DONATION TO STUDENT TUITION ORGANIZATION CREDIT

- If you claimed the credit for a donation to school tuition organization, you must add back certain deductions taken at the federal level otherwise deductible for state income tax purposes if the following conditions are met:
 - CORPORATIONS
 - The corporation's federal deductions for charitable contributions allowed by Internal Revenue Code Section 170 included a deduction for the donation made by the corporation to the school tuition organization.
The amount required to be added back is the amount of the charitable contribution deducted to arrive at LA Net Income.
- The addition is limited to the amount of the credit claimed.
- Revenue Information Bulletin 18-029. (R.S. 47:6301(A)(1)(a))

NONREFUNDABLE PRIORITY 1 CREDITS

Conversion of Vehicle to Alternative Fuel – Code 185

- Act 325 of the 2017 Regular Session changed the credit to a nonrefundable credit.
 - No carry forward of unused amounts
- For purchases of new motor vehicles, the credit is equal to 10 percent of the cost of the qualified vehicle or \$2,500, whichever is less.
- For conversions and fueling stations, the credit is equal to 30 percent of the cost of the qualified property.
- See Revenue Information Bulletin 17-016. (R.S. 47:6035)
- Use credit code 71F on Schedule F to report the Act 125 recovery amount.
- Donations of Materials, Equipment, Advisors, Instructors Act 125 Recovery – Code 175
 - Credit sunsetted
 - Use Code 175 to report Act 125 recovery only.

REFUNDABLE PRIORITY 2 CREDITS

- **Code 56F - Urban Revitalization Credit -**
 - credit has sunsetted and was removed from the return.
- **Code 74F - Solar Energy System - Leased -**
 - credit has sunsetted and has been removed from the return.
- **Code 71F - Use this code to claim Act 125 recovery for Conversion of Vehicle to Alternative Fuel.**
 - Current year credit is Nonrefundable.

NONREFUNDABLE PRIORITY 3 CREDITS

- **Code 234 - La Community Economic Development**
 - Credit has sunsetted and has been removed from the return.
- **Research and Development – Code 252**
 - Act 336 of the 2017 Regular Session provides that credits earned based on participation in the Small Business Technology Transfer Program or the Small Business Innovation Research Grant program may be sold or transferred to another taxpayer beginning with the 2018 tax year. (R.S. 47:6015)

TAX CREDITS

R-6311, Tax Incentives with Job Creation Components

- Act 87 of the 2018 Regular Session
- LDR is required to submit additional annual reporting of tax credits that include a job creation component which includes:
 - Employment of Certain First Time Drug Offenders,
 - Employment of First Time Nonviolent Offenders,
 - Employment of Previously Unemployed,
 - Hiring Eligible Re-entrants,
 - New Jobs, and
 - Credit for Certain Federal Tax Credits - Federal Work Opportunity Credit.
- All taxpayers claiming these credits will need to report the number of employees hired qualifying for the credit and the number of those that had a Louisiana driver's license at the time that they were hired on Form R-6311.
- This form should be completed by the entity or person that earned the credit and must be attached to the return being filed by the taxpayer claiming the credit.

TRANSFERABLE TAX CREDITS - REMINDER

- Act 661 of the 2016 Regular Session

- R.S. 47:1675(H)(1)(e) now provides that a taxpayer may only claim a tax credit on a tax return by performing one of two actions on or before the due date of the return, without regard to the granting of any extension:
 - Purchase tax credits with an effective date of transfer on or before the due date of the return without regard to the granting of any extension; or
 - Execute Form R-6111, which evidences a binding agreement to transfer a tax credit, on or before the due date of the return, without regard to the granting of any extension.
 - Credit needs to be transferred prior to filing return.

SALES TAX RETURN

SALES TAX RETURN (R-1029)

- The tax return, R-1029 – revised for the July 2018 period
 - State rate is now 4.45%
 - There is only Schedule A-1 that flows to Schedule A, Allowable Deductions.
 - Business Utilities is taxed at 2%
 - Intrastate telecommunications services and prepaid calling cards is taxed at 3.45%
 - Interstate and international telecommunications services is taxed at 2.45%
 - Revenue Information Bulletins No. 18-016, 18-017,

SALES TAX RATES

- R-1002, Table of Sales Tax Rates for Exemption for the period of July 2013 – June 30, 2025
 - Revised 06/2018 to include legislative changes enacted through 2018 Third Extraordinary Session.
 - Has rates starting from 7/1/2013.
- R-1002, Table of Sales Tax Rates for Exemption for the period July 2007 – June 2013
 - Revised 10/2013

OTHER ITEMS

QUESTIONS?

- Tax Policy Inquiry Email Boxes
 - Corporate Income and Franchise Tax
 - PracCIFTPolicyInquiries@la.gov
 - Individual Income
 - PractitionersIndividual.TaxPolicyInquiries@la.gov
 - Sales
 - PractitionersSalesTax.PolicyInquiries@la.gov
 - Excise/Severance/Miscellaneous
 - PracExcSevTaxPolicyInquiries@la.gov

QUESTIONS?

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