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March 6, 2017

Secretary Kimberly L. Robinson  
Louisiana Department of Revenue  
Baton Rouge, LA 70802

*Via E-mail*

**Re: Louisiana Tax Institute's Consideration of Proforma Combined Return Study**

Dear Secretary Robinson:

According to the agenda released this morning for the March 8 meeting of the Louisiana Tax Institute, an item for discussion is "Proforma Combined Return Study." On behalf of the Council On State Taxation (COST),<sup>1</sup> I write to express concern that the Louisiana Tax Institute does not have sufficient information to consider the advisability of such a study, or the subject of mandatory unitary combined reporting in general. For example, Maryland burdened its taxpayers with such proforma return filing, only to show significant fluctuations in revenue depending on the years subject to reporting. As a result of such information, the Maryland General Assembly choose to reject further combined reporting proposals, and the Maryland Economic Development and Business Climate Commission recommended, "Do not adopt combined reporting and indicate clearly the intent not to do so."<sup>2</sup> Rhode Island also conducted a proforma study.

It is troubling that the Maryland Economic Development and Business Climate Commission report and other relevant materials are not included on the Louisiana Tax Institute's website for the members' consideration of this important issue. Instead, the materials included thus far tend to be dated and do not adequately discuss the pitfalls of mandatory unitary combined reporting (the Indiana Legislative Services Agency report is the sole exception). COST urges the Louisiana Tax Institute to consider including the following studies:

- Combined Reporting: Understanding the Revenue and Competitive Effects of Combined Reporting, by Robert Cline, Ernst & Young LLP, May 2008.<sup>3</sup>

<sup>1</sup> COST is a nonprofit trade association consisting of approximately 600 multistate corporations engaged in interstate and international business. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

<sup>2</sup> The Commission's final report is available at:  
<http://msa.maryland.gov/megafile/msa/speccol/sc5300/sc5339/000113/021000/021861/unrestricted/20160111e.pdf>.

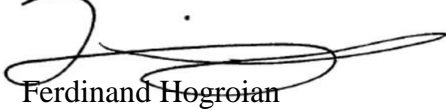
<sup>3</sup> Available at: <http://cost.org/WorkArea/DownloadAsset.aspx?id=70000>.

- Analysis of Tax Year 2006 Maryland Corporate Information Reports, Bureau of Revenue Estimates, Comptroller of Maryland, October 1, 2009.<sup>4</sup>
- Combined Reporting with the Corporate Income Tax: Issues for State Legislatures, by William F. Fox and LeAnn Luna, November 2010.<sup>5</sup>
- Tax Administrator’s Study of Combined Reporting, Rhode Island Department of Revenue, Division of Taxation, March 15, 2014.<sup>6</sup>
- Report of the Maryland Economic Development and Business Climate Commission (Phase II: Taxes), January, 2016.<sup>7</sup>

COST respectfully requests the opportunity to present these studies and COST’s research before a meeting of the Louisiana Tax Institute to ensure that its members are fully informed of the potential impact on Louisiana of a move to mandatory unitary combined reporting. This includes proforma reporting, which carries significant costs for businesses and can produce distorted results.

Thank you for your consideration.

Respectfully,



Ferdinand Hogroian

cc: COST Board of Directors  
Douglas L. Lindholm, COST President & Executive Director

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<sup>4</sup> Available at: <http://cost.org/WorkArea/DownloadAsset.aspx?id=74928>.

<sup>5</sup> Available at: <http://cost.org/WorkArea/DownloadAsset.aspx?id=77592>.

<sup>6</sup> Available at: <http://cost.org/WorkArea/DownloadAsset.aspx?id=86812>.

<sup>7</sup> *Supra*.