Louisiana Tax Institute

Meeting Minutes

September 29, 2017

I. Call to Order

The meeting of the Louisiana Tax Institute was called to order at 1:08 p.m. on September 29, 2017 in the Mardi Gras Room located on the ground floor of the LaSalle Building, 617 North Third Street, Baton Rouge, LA 70802.

II. Roll Call

A) The following Members were confirmed as present:

- Brandon Decuir
- Cade Cole
- Jaye Calhoun
- Philip Hackney
- Bill Potter
- Kevin Richard for Kimberly Robinson

B) Approval of Meeting Minutes from May 19, 2017 meeting: Mr. Hackney moved that the minutes be approved as distributed. This motion was seconded by Mr. Decuir. The minutes were approved as distributed.

III. Agenda Topics

A) Presentation on the state of Maryland's experience with combined reporting by Andrew W. Schaufele, Director, Bureau of Revenue Estimates Comptroller of Maryland

Mr. Schaufele presented an overview of a Maryland study on combined reporting detailing the process, purpose and findings of the study. Maryland does not currently practice combined reporting, but the State has been considering the practice since 2007, after experienced a structural budget deficit.

After providing a brief history on corporate information reporting in Maryland, Mr. Schaufele presented the following ideas based on information gathered by the State over the last decade:

- Corporate income tax changes have attracted attention as possible solutions to the State's fiscal problems and erosion of corporate tax base.

- Among other issues, lack of information on fiscal impact has prevented action.
- In Senate Bill 2 of the 2007 Regular Session, information reporting was implemented which required each corporation to file an income tax return and a member of the corporate group to file a report including group members, worldwide sales of each member, sales in Maryland of each member, list of states in which any group member filed an income tax return, members of the group on combined or consolidated returns in each combined or consolidated state. This process was done for several years and proved to be burdensome.
- Senate Bill 444/ House Bill 664 of the 2008 Regular Session were submitted to ease the burden of reporting requirements.
- Specifics of State impacted the final results of the study.
- Industries which benefited the least in the study included finance, insurance, manufacturing and retail.
- Utility, education and healthcare industries were the most consistent benefactors.
- Proforma compliance and the finnigan method were also discussed.

B) Presentation on the Rhode Island experience with combined reporting by Marlen Bautista, Chief Revenue Agent, Corporation Tax Rhode Island Department of Revenue, Division of Taxation

Following Mr. Schaufele’s presentation, Ms. Bautista presented an overview of a combined reporting study by the Rhode Island Division of Taxation which included participation of about 1,600 companies. Guidelines for the study included:

- For tax years beginning on or after January 1, 2015, a business which is treated as a C corporation for federal income tax purposes, and which is part of a combined group engaged in a single or common business enterprise – a “unitary” business – must file a combined return with Rhode Island.

- An entity treated as a C corporation for federal income tax purposes must report on its Rhode Island return not only its own income, but also the combined income of the other corporations, or affiliates, that are part of a combined group under common ownership and part of a unitary business.

Excluded Corporations included the following:
Any C corporation which is or will be taxed under RIGL Chapter 44-11 is subject to combined reporting, except for the following:

- Public service corporations RIGL 44-13
- Banking Institutions RIGL 44-14

- Credit unions RIGL 44-15
- Insurance companies RIGL 44-17
- Partnerships treated as pass-through entities for federal tax purposes
- Limited liability companies treated as pass-through entities for federal tax purposes
- Sole proprietorships and disregarded entities
- Any corporation incorporated in a foreign jurisdiction if its sales factor for total receipts outside the United States is 80% or more

Thresholds, consolidated elections, single sales factor, the finnigan method, market-based sourcing, corporate minimum tax, net operation loss deductions, tax credits, and estimated tax were also discussed.

The presentation was followed by a brief Q&A period. Members asked questions about the change in corporate tax revenue, percent of tax base, audits, and administrative difficulties that were faced.

C) Update on the Recodification of the Sales Tax Law by Johnette Martin, Louisiana Department of Revenue

Ms. Martin reviewed the updated recodification material.

Members provided feedback on the current version of the recodification project. During the discussion, exemptions and exclusions were discussed in detail. Areas of discussion included the following:

- Outline by the Streamline Commission
- Language in sales tax statutes
- Logical categorization
- Designation items as an exemption and exclusion
- Exclusion, exemptions, refunds and credits
- Timeline for completion
- Does the Tax Institute need to define exemption and exclusion
- Examples of the contrast of where an item is now in comparison to its original placement

Members will email any information and/or request for further information on the recodification to Marisha.

IV. Other Business

A) Next meeting previously scheduled for October 30, 2017

Topics for consideration for future meeting included the following:

- Federal tax legislation

- Partnership audits
- Wrap-up discussion of combined reporting presentations

B) Potential dates for the November and December meetings

V. Adjournment

The meeting was adjourned at 3:17 p.m.