Full Analysis of Combined Reporting

I. Current State of Louisiana's Corporate Income Tax Structure

II. Overview of Combined Reporting and Discussion of Combined Reporting Methods

   a. Combined vs Consolidated Return: Unitary Principle
   b. Allocation vs Apportionment in a Combined Return
   c. Finnegan versus Joyce (Nexus and Factors)
   d. Alternative Treatments of Tax Credits and Losses in Combined Reporting
   e. Water's Edge Elections
   f. Combined Reporting in Other states-Maps & Brief Summary(also include Joyce v Finnegan Information)

III. Pros & Cons of Implementing Combined Reporting

   a. Combined Reporting Implementation-Pros for Louisiana
      i. Strengthening the Louisiana Corporate Income Tax System
         (a) Combined Reporting will help the taxing agency and companies: (1) reduce the number/volume of transfer pricing analyses required to be done during audits; and (2) reduce the need or instances in which the add-back statute needs to be applied.
         (b) Louisiana can still use its current formulary apportionment methods.
         (c) Louisiana can use alternative apportionment methods, including its current separate reporting method (if combined reporting produces a result that does not fairly represent income).
      ii. Tax avoidance techniques, current or future, are less likely to produce a substantial budget impact (negative or positive)
      iii. The state's tax burden will be a more level playing field for intrastate and multistate corporate groups.
   b. Combined Reporting Implementation-Cons for Louisiana
      i. If combined reporting is implemented, Louisiana would be an outlier among the Southeastern Association of Tax Administrators (SEATA) states (Though Texas is not a SEATA state, its proximity to Louisiana is recognized along with the fact that its margin tax contains a combined reporting component).
      ii. Louisiana's current add back statute and adjustment authority may obviate the need for combined reporting.

IV. Transition could be difficult for agency and taxpayers

   a. Training for the taxing agency and taxpayers on the requirements of combined reporting
   b. Uncertain revenue impact for the state Louisiana
   c. Uncertainty regarding the impact of combined reporting on taxpayers on an individual basis

V. Decisions Louisiana Must Make

a. Louisiana needs a better definition of unitary group/business and non-business income

b. Use of NOLs' past and present by unitary group members and also for tax credits within unitary group

c. Accounting periods for unitary group members may need modification

d. Effective date of combined reporting implementation

e. Whether pro-forma returns should be required before making the decision to implement combined reporting

 i. Would pro-forma returns provide reliable information worth the additional costs

 ii. How long and to what extent should the data from the pro-forma returns be studied and/or analyzed?

VI. Estimated revenue effects from pro-forma returns in Maryland and Rhode Island & Other Combined Reporting Studies

a. Maryland's Lessons Learned from pro-forma returns

b. Rhode Island's Lessons Learned from pro-forma returns

c. Other Combined Reporting Studies

VII. Closing & Recommendations

a. The goal of combined reporting should not be a short term revenue goal; but, to avoid a long term erosion of the tax base and long term revenues.

b. Require fewer one-shot actions on the part of the taxing authority to police the system.

c. Final Recommendations (with or without a pro-forma returns)