

2006 First Extraordinary Legislative Session
Department of Revenue Legislative Summaries

Income Tax

Act 25 (HB 21) makes the following changes to R.S. 47:293, which are retroactive to the 2004 income tax year:

1. Amends R.S. 47:293(3)(b)(i) to provide that the Louisiana federal income tax deduction will not be reduced by any federal disaster relief income tax credits or casualty loss deductions and not just the federal disaster relief credits and casualty losses related to Hurricanes Katrina or Rita.
2. Enacts R.S. 47:293(6)(f) to extend the state income tax exemption for the first \$30,000 of income received by military personnel for active duty service outside of the state through taxable periods ending before January 1, 2008.
3. Enacts R.S. 47:293(6)(a)(ix) and (7) to provide for Louisiana income tax deductions that would otherwise be disallowed by Internal Revenue Code §280C.

Under IRC §280C, if an employer elects to claim certain federal tax credits, the employer's federal deduction for wage and salary expense must be reduced by the same dollar amount of the credits claimed. Those credits include:

- a. The Work Opportunity Credit;
- b. The Indian Employment Credit;
- c. The Employee Retention Credit;
- d. The Empowerment Zone Credit;
- e. The Post-2001 Renewal Community Employment Credit; and
- f. The Hurricane Katrina housing credit for employers providing housing to employees.

Act 25 allows employers to deduct the expenses that are disallowed under IRC §280C for wage and salary expense in determining Louisiana taxable income.

Act 31 (HB 46) provides, relative to the income and corporation franchise tax credits allowed under R.S. 47:6006(A), 6006.1(A), and 6014(A) for ad valorem taxes paid, to allow taxpayers to consider ad valorem taxes paid after December 31, 2005, but before April 16, 2006, as being paid on December 31, 2005. This provision is effective for all taxable periods beginning after December 31, 2004.

Sales Tax

Act 34 (HB 60) clarifies that the sales tax exemption for ships' supplies purchased for ships or vessels operating exclusively in foreign or interstate coastwise commerce provided under R.S. 47:305.1 is also applicable to barges and drilling ships that are operating exclusively in foreign or interstate commerce. This clarification was made because of the decision in *Mallard Bay Drilling, Inc. v. Kennedy*, 914 So. 2d 533. Effective February 23, 2006.

Severance Tax

Act 26 (HB 22) amends R.S. 47:635(A)(3) and 640(B), relative to the severance tax on oil and gas; to provide that the one-time severance tax payment required by R.S. 47:635(A)(3) or 640(B) due on or before November 25, 2005, may be credited to the taxpayer's future liabilities.

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The proposal allows purchasers and severers that made the required one-time payment to take credit for the payment by applying 25 percent of the one-time payment amount to severance tax liabilities for each of the following periods:

1. The October 2006 return that is due December 25, 2006;
2. The April 2007 return that is due June 25, 2007;
3. The October 2007 return that is due December 25, 2007; and
4. The April 2008 return that is due June 25, 2008.