



## Instructions for Completing Form IT-541 Fiduciary Income Tax Return

### Who must file a return

According to the provisions of R. S. 47:162, every resident estate or trust and every nonresident estate or trust that derives income from Louisiana sources is liable for an income tax under the following guidelines:

1. The net income of an estate or trust for the taxable year is \$2,500 or over;
2. The gross income of an estate or trust for the taxable year is \$6,000 or over, regardless of the amount of net income;
3. The beneficiary of an estate or trust is a nonresident of Louisiana.

Grantor trusts, as defined in Louisiana R. S. 47:187 will be required to file only if part of the net Louisiana income is taxable to the trust or the beneficiaries of the grantor trust are nonresidents.

### Definitions

*Resident Trust* - The term means a trust or a portion of a trust created by the last will and testament of a decedent domiciled in Louisiana at the time of death. If the trust instrument provides that the trust is governed by Louisiana law, the trust is considered to be a resident trust even if the decedent was domiciled in another state at the time of death. Any trust instrument that does not specify as to which state's governing law prevails and that is administered in this state is considered a resident trust.

*Resident Estate* - The estate of a decedent who was domiciled in Louisiana at the time of death.

*Nonresident Trust* - The term means any trust that is not considered to be a resident trust. If the trust instrument provides that the trust is governed by another state's law, the trust is considered to be a nonresident trust even if the decedent was domiciled in Louisiana at the time of death.

*Nonresident Estate* - The term means any estate that is not considered a resident estate.

*Fiduciary* - Any person, firm, partnership, or association holding a position of confidence with any trust or estate for the benefit of another. A fiduciary will have sufficient knowledge of the affairs of the trust or estate to enable the preparation and filing of a true and correct return.

*Louisiana Taxable Income* - As provided in R.S. 47:300.6, Louisiana taxable income of a resident estate or trust means the amount of income taxed in accordance with federal law for the same taxable year, less the amount of the federal income tax deduction.

### Estates and trusts located outside the United States

Estates and trusts located outside the United States are generally not required to file a United States fiduciary income tax return. If the estate or trust derived income from Louisiana sources, however, the trust or estate is required to file a Louisiana fiduciary income tax return. The tax is imposed in the same manner as any other nonresident estate or trust. As an alternative method,

estates and trusts located outside the United States may elect to be taxed on total gross income from Louisiana sources at the rate of 5%.

### Fiduciary Responsibility

As an entity who holds a position of confidence with a trust or estate for the benefit of another, the fiduciary is responsible for the preparation and filing of a true and correct return. R. S. 47:300.5 provides that the fiduciary of an estate or trust is personally liable for the payment of all taxes, penalties, and interest due by the estate or trust. The tax liability imposed on any beneficiary of the estate and trust, however, is not the responsibility of the fiduciary.

### Income Taxed To Fiduciary

As provided by R.S. 47:181 and R.S. 47:300.2, the income tax imposed on an estate or trust for which a fiduciary will file applies to the Louisiana taxable income of estates or of any kind of property held in trust, including:

1. Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests, and income accumulated or held for future distribution under the terms of the will or trust;
2. Income that is to be distributed currently by the fiduciary to the beneficiaries and income collected by a guardian of a minor that is to be held or distributed as the court may direct;
3. Income received by the estates of deceased persons during the period of administration or settlement of the estate; and,
4. Income that, in the discretion of the fiduciary, may be either distributed to the beneficiaries or accumulated.

### Tax Rates Applied to Louisiana Taxable Income

The tax to be assessed, levied, collected, and paid upon the Louisiana taxable income of an estate or trust shall be computed at the following rates:

1. 2% on the first \$10,000 of Louisiana taxable income.
2. 4% on the next \$40,000 of Louisiana taxable income.
3. 6% on Louisiana taxable income in excess of \$50,000.

### Information at The Source

R. S. 47:164 provides that any person, firm, partnership, trust, corporation, or organization making payments aggregated \$1,000 or more during any calendar year for lease bonuses, delay rentals, and/or for respecting mineral leases affecting lands located in Louisiana and rentals paid for real property located in Louisiana to a nonresident individual or a firm, partnership, trust, corporation, or organization not located in Louisiana shall file an information return with the Secretary of Revenue on or before June 1 of the following year for each such payee. The Federal Information Return Form (Form 1099) used for reporting such payments to Internal Revenue Service may be used for reporting the required information. A completed Federal Form 1099 should include:

the name and address of the entity receiving the payment, a Federal Employer Identification Number or the Social Security Number of the payor and payee, and the amount and description of the payment made to the payee. Federal Form 1099 shall be accompanied by Federal Form 1096 furnishing the payor's name, address, Federal Employer Identification Number, and/or Social Security Number and the number of Forms 1099 enclosed. Informational returns reporting other items of income that would normally appear on the Federal Form 1099 are required only upon the specific request of the Secretary of Revenue.

For this purpose, amounts distributable to beneficiaries will be reportable if the income shown on the fiduciary return is for lease bonuses, delay rentals, and/or royalties respecting mineral leases affecting lands located in Louisiana and rentals paid with respect to real property located in Louisiana.

#### **Due Date of the Fiduciary Return**

A 2009 calendar year return is due on May 15, 2010. Fiscal year returns must be filed on or before the 15th day of the fifth month after the close of the fiscal period.

#### **Where To File a Fiduciary Return**

Fiduciary returns must be filed with the Louisiana Department of Revenue, P. O. Box 3440, Baton Rouge, Louisiana 70821-3440. DO NOT SEND CASH. Checks or money orders should be made payable to the Louisiana Department of Revenue.

#### **Extension of time for filing**

The Secretary may grant a reasonable extension of time to file the fiduciary income tax return not to exceed six months past the due date of the return. Extensions must be filed before the tax return's due date, May 15, 2010, for the 2009 return, by submitting Form 6466, Application for Extension of Time to File Partnership (IT-565) or Fiduciary (IT-541) Return. By requesting an extension, you are only requesting additional time to file your tax return. An extension does not extend the time to pay any tax that may be due.

#### **Amended returns**

If you file your fiduciary income tax return and later become aware of any changes you must make, you must file an amended Louisiana return along with an explanation of the change(s) and a copy of the federal amended return, if one was filed. The form should be clearly marked with an "x" in the "Amended return" box.

#### **Federal Tax Adjustments**

R.S. 47:103(C) requires taxpayers whose federal returns are adjusted to furnish a statement disclosing the nature and amounts of such adjustments within 60 days after the adjustments have been made and accepted. This statement should accompany your amended return.

#### **INTEREST AND PENALTIES**

**Interest** – If your 2009 calendar year fiduciary income tax amount is not paid by May 15, 2010, you will be charged interest on the unpaid tax from May 16, 2010, until the date of payment for the balance of tax due. Because the interest rate varies from year to year and is not determined until the latter part of 2009, the Department is unable to provide a specific rate at the time of printing. Please see Revenue Information Bulletin (RIB) 10-001 for the 2010 interest rate. The RIB is available on the Department's website at [www.revenue.louisiana.gov](http://www.revenue.louisiana.gov). In order to compute the INTEREST RATE PER DAY, divide the 2010 interest rate by 365 and carry out to seven places to the right of the decimal. Example: Assume the 2010 interest rate is determined to be 17% (0.17) per annum. Divide 0.17 by 365.  $0.17/365 = .0004657$ , which equals the INTEREST RATE PER DAY. NOTE!! You must carry out your computation to 7 places to the right of the decimal point.

**Delinquent Filing Penalty** – A delinquent filing penalty will be charged for failure to file a timely return on or before May 15, 2010, for calendar year filers, your fiscal year due date, or your approved extension date. A penalty of 5 percent (.05) of the tax due accrues if the delay in filing is not more than 30 days. An additional 5 percent (.05) is assessed for each additional 30 days or fraction thereof, during which the failure to file continues. By law, the maximum delinquent filing penalty that can be imposed is 25 percent (.25) of the tax due.

**Delinquent Payment Penalty** – A delinquent payment penalty will be charged for failure to pay the tax in full by the due date of the return without regard to any extension of time for filing the return. A penalty of 5 percent (.05) of the tax due accrues for each 30 days during which the failure to pay continues, not to exceed 25% (.25). The combined totals of the delinquent and late payment penalties cannot exceed 25% (.25).

#### **COMPUTATION OF INCOME**

##### **Federal Employer Identification Number**

It is necessary that you supply the Federal Employer Identification Number assigned by the Internal Revenue Service. Print this number in the space provided at the top of page 1 of Form IT-541.

##### **Line 1. Federal taxable income before income distribution deduction**

If the estate or trust is a nonresident estate or trust, DO NOT complete Lines 1-3D. You should complete Schedule A and print the amount from Schedule A, Line 12 on Form IT-541, Line 4.

If the estate or trust is a resident estate or trust, complete Lines 1 - 3D. Line 1 is the amount of your federal taxable income before the income distribution deduction, but after the exemption deduction as reported on your federal Form 1041.

##### **ADDITIONS:**

##### **Line 2A. Net income tax paid to any state or political or municipal subdivision**

Print the amount of net income tax paid to any state, political, or municipal subdivision that was deducted on your Federal Form 1041.

##### **Line 2B. Interest income from other states and their political or municipal subdivisions**

Print the amount of interest on obligations of a state, political, or municipal subdivision other than Louisiana and its municipalities that are vested with the estate, trust, or fiduciary on or after January 1, 1980.

##### **Line 2C. Total**

Add Lines 2A and 2B and print the result on Form IT-541, Line 2C.

##### **SUBTRACTIONS:**

##### **Line 3A. Interest from U.S. government obligations**

Print the amount of interest from U.S. government obligations or any income that is exempt from taxation under the laws of Louisiana.

##### **Line 3B. Depletion in excess of federal depletion**

Print the amount of Louisiana depletion in excess of federal depletion. In computing net income in the case of oil and gas wells, a deduction is allowed for cost depletion or percentage depletion, whichever is greater. Percentage depletion is calculated as 22% of gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents and royalties paid or incurred by the taxpayer from the property. The depletion deduction can not exceed 50% of the net income of the taxpayer computed without allowance for depletion from the property. In determining net income from the property, federal income taxes is considered an expense.

**Line 3C. S Bank Exclusion**

Print the amount of the S Bank shareholder exclusion that the estate or trust can claim. The amount of the exclusion is considered nontaxable income. "S Bank nontaxable income" means: (A) the portion of the income reported by an S Bank on Federal Form 1120S (Schedule K-1) or, (B) the portion of the income reported by an S Bank on an equivalent document, which is attributable to the net earnings used to compute the S Bank's shares tax as provided in R.S. 47:1967.

**Line 3D. Total**

Add Lines 3A through 3C and print the result on Form IT-541, Line 3D.

**Line 4. Louisiana taxable income before income distribution deduction**

For resident estates and trusts, Louisiana taxable income before the income distribution deduction is calculated by adding the amount on Line 1 to the amount on Line 2C and subtracting the amount on Line 3D. Print the result on Form IT-541, Line 4. For nonresident estates and trusts, complete Schedule A and print the amount of Schedule A, Line 12 on Form IT-541, Line 4.

**Line 5. Louisiana income distribution deduction**

Print on Line 5 the portion of Louisiana income that is distributed currently or is required to be distributed currently to the beneficiaries.

**Line 6. Louisiana taxable income before federal income tax deduction**

Subtract Line 5 from Line 4 and print the result on Form IT-541, Line 6.

**Line 7. Federal income tax**

Print the amount of Schedule C, Line 19 on Form IT-541, Line 7.

**Line 8. Louisiana taxable income**

Subtract Line 7 from Line 6 and print the result on Form IT-541, Line 8.

**Lines 9-12. Computation of tax**

The Louisiana taxable income from Line 8 is taxed in three distinct brackets, at 2%, 4%, and 6%, respectively. All taxable income not in excess of \$10,000.00, falls within the first bracket and should be printed on Line 9. From this amount, resident estates and trusts deduct an exemption on Line 9a equal to \$2,500.00, minus any amount allowed on Line 20 of the federal Form 1041. The balance remaining is extended to Line 10A and tax is computed at 2%.

The amount of taxable income in excess of \$10,000.00, and not in excess of \$50,000.00, falls in the second bracket, and should be printed on Line 11 and should be taxed at 4%.

All taxable income in excess of \$50,000.00, falls in the third bracket, and is printed on Line 12 and is taxed at 6%.

**Line 13. Total tax**

Print on Form IT-541, Line 13 the total of Lines 10, 11, and 12.

**Line 14A. Credit for net income taxes paid to other states**

Resident estates or trusts are allowed a credit for net income taxes paid to other states. Credit may be claimed as a direct reduction of the Louisiana income tax liability for net income taxes properly paid to other states. No credit is allowable for gross receipts taxes or for net income taxes paid to the District of Columbia, cities, possessions of the United States, or foreign countries. The credit may be applied only against taxes due on income for the same year. The credit is allowed only to the extent of the tax due.

In order to substantiate the credit, a copy of the fiduciary return filed with the other state together with evidence of the payment of the tax to the other state must be submitted.

**Line 14B. Other credits**

Print on Line 14B the total amount of other nonrefundable and other refundable credits. List the credits on a separate schedule and attach the schedule to your return.

**Line 15. Total tax after credits**

Subtract Lines 14A and 14B from Line 13 and print the result on Form IT-541, Line 15.

**Line 16. Previous payments**

Print on Form IT-541, Line 16 the amount of previous payments made with extensions, pre-payments, or payments made by a Composite Partnership filing.

**Line 17. Amount owed**

Subtract Line 16 from Line 15. If the result is greater than zero, print the result on Form IT-541, Line 17. If the result is less than zero, print the result on Form IT-541, Line 20.

**Line 18A. Interest**

Interest is due on all items of tax not paid by the due date of the return. Calculate the interest amount and print the amount of interest here.

**Line 18B. Penalty**

Calculate Delinquent Penalty for failure to file a return timely. Calculate Delinquent Payment Penalty for failure to pay the tax in full by the date the return is required by law to be filed, determined without regard to any extension of time for filing the return. Add the amounts calculated for each penalty and print the total amount of penalties.

**Line 18. Total interest and Penalty**

Add lines 18A and 18B and print the result on the line in the second column.

**Line 19. Total amount due**

Add lines 17 and 18. Payment of this amount should be made to the Louisiana Department of Revenue. **Do not send cash.**

**Line 20. Overpayment**

Subtract Line 16 from Line 15. If the result is less than zero, print the result on Line 20. Indicate the amount you want refunded and/or credited.

**Signature on return**

In order to be considered complete and to meet the requirements of the Louisiana Income Tax Law, the return must be signed by the individual or authorized officer of the organization receiving or having custody or control and management to the income of the estate or trust. If two or more individuals act jointly as fiduciaries, any one of them may sign the return.

Any person(s), firm, or corporation who prepares a taxpayer's return must also sign. If a firm or corporation prepares the return, it must be signed in the name of the firm or corporation. This verification is not required where a regular, full-time employee of the taxpayer prepares the return.

**Instructions for Schedule A****Computation of Louisiana taxable income before income distribution deduction**

Use Schedule A when reporting income of nonresident estates and trusts that earn income from Louisiana sources. R.S. 300.3 (2) provides that income items of nonresident estates and trusts are subject to allocation or apportionment as determined by R.S. 47:241 through R.S. 47:247

**Line 1. Federal taxable income before distribution deduction**

Use Schedule A to calculate the amount of Louisiana taxable income for a nonresident estate or trust. The provisions of R. S. 47:300.6 determine Louisiana taxable income to be in accordance with federal law for the same taxable year.

Print the amount of the federal taxable income before the income distribution deduction, but before the exemption deduction as reported on Federal Form 1041.

**Line 2. Net income taxes paid to any state or political or municipal subdivision**

Print the amount of net income taxes paid to any state or political or municipal subdivision deducted on your Federal Form 1041.

**Line 3A. Income exempt from taxation**

Print the amount of any income that is exempt from taxation under the laws of Louisiana, or that is prohibited from taxation by the Constitution or laws of the United States. This amount must be subtracted from federal taxable income. An example of such income would be interest on U.S. government obligations.

**Line 3B. Depletion in excess of federal depletion**

Print the amount of Louisiana depletion in excess of federal depletion. In computing net income in the case of oil and gas wells, a deduction is allowed for cost depletion or percentage depletion, whichever is greater. Percentage depletion is calculated as 22% of gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents and royalties paid or incurred by the taxpayer from the property. Percentage depletion can not exceed 50% of the net income of the taxpayer computed without allowance for depletion from the property. In determining net income from the property, federal income taxes is considered an expense.

**Line 3C. S Bank Exclusion**

Print the amount of the S Bank shareholder exclusion that the estate or trust can claim. The amount of the exclusion is considered nontaxable income. "S Bank nontaxable income" means: (A) the portion of the income reported by an S Bank on Federal Form 1120S (Schedule K-1) or, (B) the portion of the income reported by an S Bank on an equivalent document, which is attributable to the net earnings used to compute the S Bank's shares tax as provided in R.S. 47:1967.

**Line 4. Total subtractions**

Add Lines 3A through 3C and print on Schedule A, Line 4.

**Line 5. Modified federal taxable income before distribution deduction**

Add the amount on Line 1 to the amount on Line 2. From that total, subtract the amount on Line 4 and print the result on Schedule A, Line 5.

**Modified federal taxable income allocated or apportioned to Louisiana**

In accordance with R.S. 47:300.3 (2), Louisiana taxable income of a nonresident estate or trust for a taxable year is computed by applying the allocation and apportionment provisions of R.S. 47:241 through R.S. 47: 247 to the estate's or trust's federal taxable income for the same year modified by the provisions of R.S. 47:300.7(C).

In order to determine Louisiana taxable income, it is necessary to separate all items of income into two general classes, namely: those items that can be allocated directly to the state in which they are earned, and those items of income that arise from business partly within and without Louisiana. Louisiana's share of allocable items can be determined by direct allocation. In the case of net income from business partly within and partly without the state, a percentage of the net income must be apportioned to Louisiana on the basis of an apportionment percentage.

If the Louisiana portion is entirely separable from the remainder, and the use of the apportionment method would produce a manifestly unfair result, a separate accounting may be made

for Louisiana business and the total net income. Prior written permission from the Secretary must be secured to report by the separate accounting method.

In computing net allocable income, all expenses, losses, and other deductions, except federal income taxes that are directly attributable to such income and a ratable portion of allowable deductions, except federal income taxes that are not directly attributable to any class of income should be deducted from gross allocable income.

**Line 6. Rents and royalties**

Print on Line 6 the amount of net rents and royalties from property located in Louisiana. Rents and royalties from immovable or corporeal movable property are allocated to the state where such property is located at the time the income is derived. Royalties or similar revenue from the use of patents, trademarks, copyrights, secret processes, and other similar intangible rights must be allocated to the states in which such rights are used by the licensee. Please attach a schedule showing your computation.

**Line 7. Gain or loss on sale of assets**

Print on Line 7 the amount of gain or loss derived from the sales of assets located in Louisiana. Profits from sales and exchanges of capital assets consisting of immovable or corporeal movable property are allocated to the state where such property is located at the time the income is derived. Profits from sales or exchanges not made in the regular course of business, of property, other than capital assets consisting of incorporeal property or rights, are allocated to the state where such property is located at the time of the sale. A mineral lease, royalty interest, oil payment, or other mineral interest is considered to be Louisiana income if the property creating the mineral interest is located in Louisiana. Other profits from sales and exchanges of capital assets consisting of incorporeal property or rights is allocated to the state in which the securities or credits producing such income have their situs. Please attach a schedule showing your computations.

**Line 8. Other allocable income**

Print on Line 8 any other net Louisiana allocable income. Other items of allocable income such as interest income, dividends on corporate stock, income from estates, trusts, and partnerships, and salaries, wages, or other compensations received by a nonresident individual for personal services, and income from construction, repair, or other similar services are considered allocable under the provisions of R.S. 47:243. Please attach a schedule of your computations.

**Line 9. Apportionable income**

To determine the income subject to apportionment, use Schedules 1, 2, and 3.

**Schedule 1**

1. Modified federal taxable income before distribution deduction (Print the amount from Schedule A, Line 5.) \_\_\_\_\_
2. Less: Allocable income from all sources \_\_\_\_\_
  - A. Net rents and royalties \_\_\_\_\_
  - B. Net profit from sales and exchanges of property not made in the regular course of business \_\_\_\_\_
  - C. Other net allocable income \_\_\_\_\_
3. Modified federal taxable income subject to apportionment \_\_\_\_\_

**Computation of apportionment percent**

Your principal type of business determines which factors apply in the calculation of your Louisiana apportionment percent. For Air Transportation, use factors (1) and (3); for Pipeline Transportation, use factors (1), (2), and (3); for Other Transportation, use factors (1) and (3); for Service Enterprises in which the use of property is not a material income producing factor, use factors (1) and (2), otherwise, use factors (1), (2), and (3); for Loan Business, use factors (2) and (4); for Merchandising, Manufacturing, and Other Business, use factors (1), (2), and (3). Calculate your apportionment percent on Schedule 2 on page 9.

**1. The Sales and Charges for Services Factor** – The Louisiana sales factor shall include all sales made in the regular course of business where the goods, merchandise, or property is received in this state by the purchaser. In the case of delivery by common carrier or by other means of transportation, including transportation by the purchaser, the place where the goods are ultimately received after all transportation is completed shall be considered as the place at which the goods are received by the purchaser. The Louisiana factor shall also include all charges for services performed in Louisiana.

The sales factor for income from air transportation would be the ratio of the gross receipts derived from passenger journeys and cargo shipments originated in Louisiana and any other items of apportionable income or receipts derived entirely from Louisiana sources to total gross apportionable income of the taxpayer.

**2. The Salaries and Wages Factor**–There shall be included in the Louisiana factor the total salaries, wages, and other personal service compensation paid during the taxable year for services rendered in Louisiana in connection with the production of apportionable income.

**3. The Property Factor**–The Louisiana factor shall be the average of the value of the taxpayer’s real property and tangible personal property used in the production of apportionable income within this state at the beginning of the taxable year and at the end of the taxable year.

**4. Loan Factor**–In the case of a loan business, the Louisiana factor shall be the amount of loans made in this state during the period for which the return is filed. For further information concerning the apportionment factors, refer to R.S. 47:245.

Schedule 2			
Description of items used as factors	1. Total amount per federal return	2. Total Louisiana amount	3. Factor ratios (%)
1. Net sales of merchandise and/or charges for services			
A. Sales where goods, merchandise, or property is received in Louisiana by the purchaser			
B. Charges for services performed in Louisiana			
C. Other gross apportionable income attributable to Louisiana			
D. Total (In Column 1, print total net sales and charges for services. Add Lines 1A, 1B, and 1C and print the result in Column 2. Divide Column 2 by Column 1 and print the ratio in Column 3.)			%
2. Wages, salaries, and other personal service compensation paid during the year. (Print amounts in Columns 1 and 2. Divide Column 2 by Column 1 and print the ratio in Column 3.)			%
3. Income tax property ratio (Print amounts in Columns 1 and 2. Divide Column 2 by Column 1 and print the ratio in Column 3.)			%
4. Loans made during the year (Print amounts in Columns 1 and 2. Divide Column 2 by Column 1 and print the ratio in Column 3.)			%
5. Add percentages under Column 3 on Lines 1D, 2, 3, and 4 and print result.			%
6. Average of percents (Line 5 divided by the number of factors used) (Use result in determining income apportioned to Louisiana.)			%

### Schedule 3

#### Calculation of income apportioned to Louisiana before income distribution deduction

1. Modified federal taxable income subject to apportionment (Print the amount from Schedule 1, Line 3.) \_\_\_\_\_
2. Multiply by the apportionment percent (From Schedule 2, Line 6.) X \_\_\_\_\_
3. Louisiana apportionable income \_\_\_\_\_  
Print this amount on Schedule A, Line 9.

#### Line 10. Louisiana taxable income before federal income tax deduction

Add Schedule A Lines 6 through 9 and print the result.

#### Line 11. Less: Federal itemized deductions attributable to Louisiana

Nonbusiness deductions are allowable to the extent that they are attributable to Louisiana. In particular, nonbusiness interest shall be attributed to Louisiana to the extent paid to persons or firms domiciled in this state and nonbusiness charitable contributions shall be attributed to Louisiana to the extent that they are made to Louisiana organizations. If a contribution is made to an organization that is present within and without Louisiana, the contributions shall be attributed to Louisiana if made to a Louisiana chapter or branch of the organization.

#### Line 12. Louisiana taxable income before income distribution deduction

Subtract Line 11 from Line 10. Print the result on Schedule A, Line 12 and on Form IT-541, Line 4.

### Schedule B

#### Distributive shares of beneficiaries

Print the name of each beneficiary and his distributive share of the estate or trust income allocated to the State of Louisiana. Each beneficiary's distributive share is deemed to apply to taxable and nontaxable income, and to income from sources within, as well as from sources without, the state. If additional space is needed, attach a separate schedule.

### Schedule C

#### Computation of federal income tax deduction

Both R.S. 47:300.6(A) for resident estates and trusts and R.S. 47:300.7(A) for nonresident estates and trusts allow for a federal income tax deduction to be computed following the provisions of R.S. 47:287.83 and 287.85. R.S. 47:287.85(C) allows a deduction in computing net income for that portion of the federal income tax levied on Louisiana income. The deductible portion of the federal income tax is the sum of the allowable portion of the federal income tax which is calculated at alternative capital gain rates and the allowable portion of the federal income tax that is taxed at the ordinary rates.

#### Line 1. Louisiana income before federal income tax deduction

Print on Schedule C, Line 1 the amount of the Louisiana income before federal income tax deduction found on Form IT-541, Line 6.

#### Line 2. Adjustments to convert Louisiana net income to a federal basis

In order to make Louisiana net income and federal net income comparable, Louisiana net income should be converted to a federal basis. Items of difference between federal and state net income are divided into "compensating items" and "noncompensating items." The modifications to federal taxable income provided in R.S. 47:300.6(B) and R.S. 47:300.7(C) would be treated as "noncompensating items" of difference between federal and state income. These items arise from a difference in tax law between

federal and state and will never adjust themselves. Any items of income or expense allocated in full outside Louisiana need not be considered because a federal tax deduction cannot be allowed on income that Louisiana will never tax.

The net adjustment to Louisiana income would be limited to the excess of the sum of the items of deduction attributable to Louisiana allowed by federal law, but not by Louisiana and the items of gross income attributed to and taxed by Louisiana, but not by the federal government over the items of deduction allowed by Louisiana, but not by the federal. An adjustment would not be made for interest on U.S. government obligations since such an adjustment would allow a federal tax deduction on income that Louisiana will never tax.

Items of difference that relate to apportionable income should have the apportionment percentage applied before computing the adjustment amount. Items of difference that relate to allocable income are considered only if they relate to Louisiana allocable income. The apportionment percentage is not applied to these items.

Print on Line 2 those items of difference between Louisiana and federal income such as state income taxes, interest on obligations of a state or political or municipal subdivision other than Louisiana, and the deduction for additional depletion. The adjustment for depletion is allowed only to the extent of the sum of the adjustments for state income taxes and interest on obligations of a state or political or municipal subdivision other than Louisiana.

#### Line 3. Louisiana taxable income on a federal basis

Subtract Line 2 from Line 1 and print the result on Schedule C, Line 3.

#### Line 4. Less: Louisiana income taxed at special rates

Print on Line 4 the amount of the capital gains allocable to Louisiana and taxed at special rates on the federal return.

#### Line 5. Louisiana ordinary income on a federal basis

Subtract Line 4 from Line 3 and print the result on Schedule C, Line 5.

#### Line 6. Federal taxable income

Print on Line 6 the amount of your federal taxable income after the income distribution deduction from your federal Form 1041.

#### Line 7. Less: Federal income taxed at special rates

Print on Line 7 the amount of the income from your federal Form 1041 that is taxed at special rates.

#### Line 8. Federal net income—Ordinary

Subtract Line 7 from Line 6 and print the result on Schedule C, Line 8.

#### Line 9. Ratio—Louisiana Ordinary/Federal Ordinary

Print on Line 9 the ratio obtained by dividing Line 5 by Line 8.

#### Line 10. Ratio—Louisiana Special/Federal Special

Print on Line 10 the ratio obtained by dividing Line 4 by Line 7.

#### Line 11. Federal income tax liability

Print on Line 11 the actual federal tax liability after being reduced for all credits except the alternative minimum tax credit.

#### Line 12. Less: Federal special rates tax

Print on Line 12 the amount of your special rates tax from your federal Form 1041.

**Line 13. Less: Alternative minimum tax**

Under most circumstances, the alternative minimum tax is not deductible on the Louisiana return. The tax is deductible only to the extent that Louisiana tax is paid on income on which alternative minimum tax has been paid and no regular federal income tax will be paid. Refer to Louisiana Administrative Code 61:I.1122 for further explanation.

**Line 14. Federal ordinary tax**

Subtract Lines 12 and 13 from Line 11 and print the result on Schedule C, Line 14.

**Line 15. Federal income tax attributable to Louisiana ordinary income**

Print on Line 15 the amount obtained by multiplying Line 14 by Line 9.

**Line 16. Federal income tax on Louisiana income taxed at special rates**

Print on Line 16 the amount obtained by multiplying Line 12 by Line 10.

**Federal Disaster Relief Credits**

Louisiana provides a deduction for federal income taxes paid on Louisiana income. Generally, when the federal income tax liability is decreased by federal credits, the amount of Louisiana income tax liability increases. Act 25 of the First Extraordinary Session of 2006 expanded the relief granted to Louisiana taxpayers who claimed certain disaster credits granted for Hurricane Katrina or Hurricane Rita. To avoid paying additional income tax, Louisiana taxpayers who received these federal credits may increase the amount of their Louisiana federal income tax deduction by the amount of certain disaster relief credits claimed on your 2009 federal income tax form. Louisiana Administrative Code (LAC) 61:I.601 designated the following federal credits qualify as disaster relief credits:

1. Employee Retention Credit
2. Work Opportunity Credit
3. Rehabilitation Tax Credit
4. Employer-Provided Housing Credit
5. Low Income Housing Credit
6. New Markets Tax Credit

For complete information about disaster relief credits, review LAC 61:I.601 for complete information about the federal credits. LAC 61:I.601 can be found on the Department's website at [www.revenue.louisiana.gov](http://www.revenue.louisiana.gov).

Consult your tax advisor or contact the IRS for complete information concerning the federal credits. You must attach a copy of the appropriate federal form(s) to your return in order for your modified Louisiana federal income tax deduction to be allowed.

**Line 19.**

Add Lines 15, 16, and 18. Print the result on Form IT-541, Line 7.