LOUISIANA DEPARTMENT of REVENUE

State Tax Updates
- 2023 -

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Arete Scholars
Tax Planning Webinar
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Informal Advice

This communication constitutes "informal advice" from the Office of Legal Affairs of the Louisiana Department of Revenue as contemplated by LAC 61:III.101 and is not binding on the Department of Revenue or the person seeking the advice.

All material within this presentation is current as **November 14, 2023**.

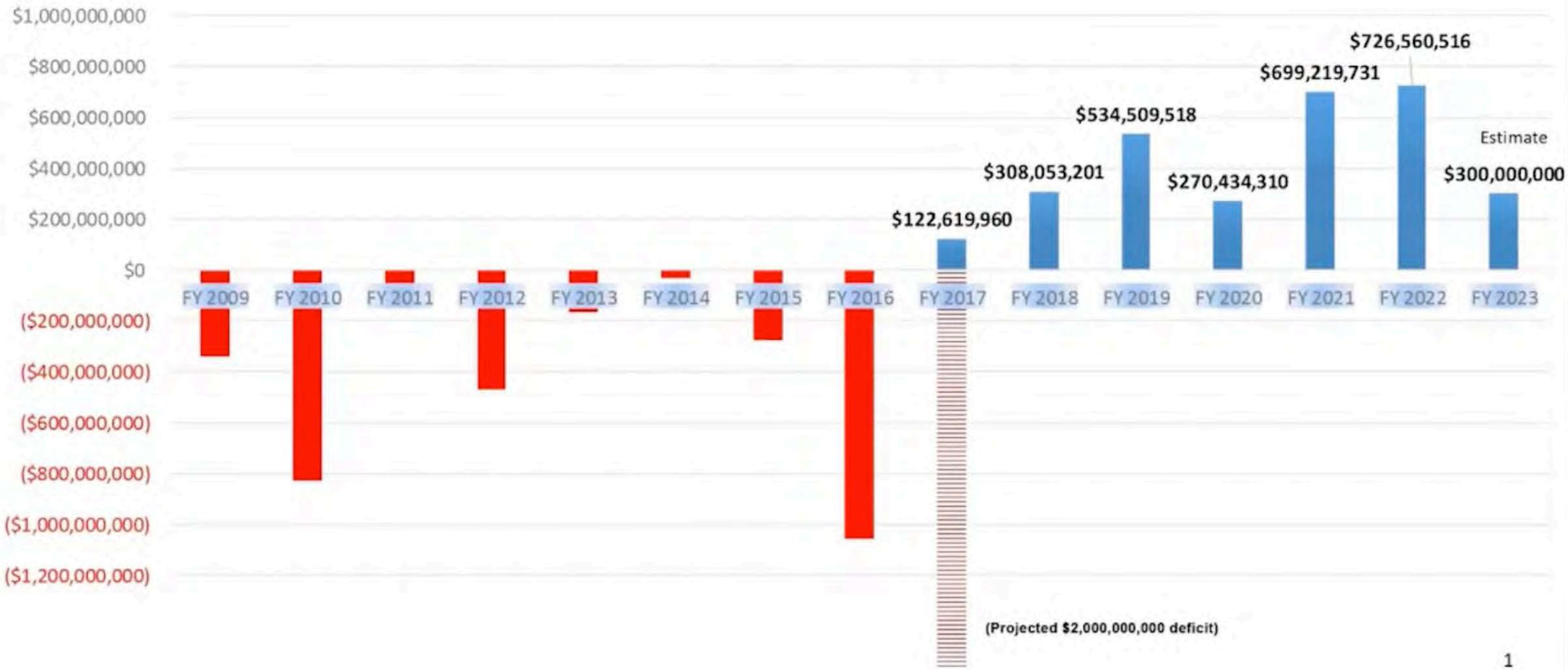
References to Acts of the Legislature are to the 2023 Regular Session, unless noted otherwise.

Overview

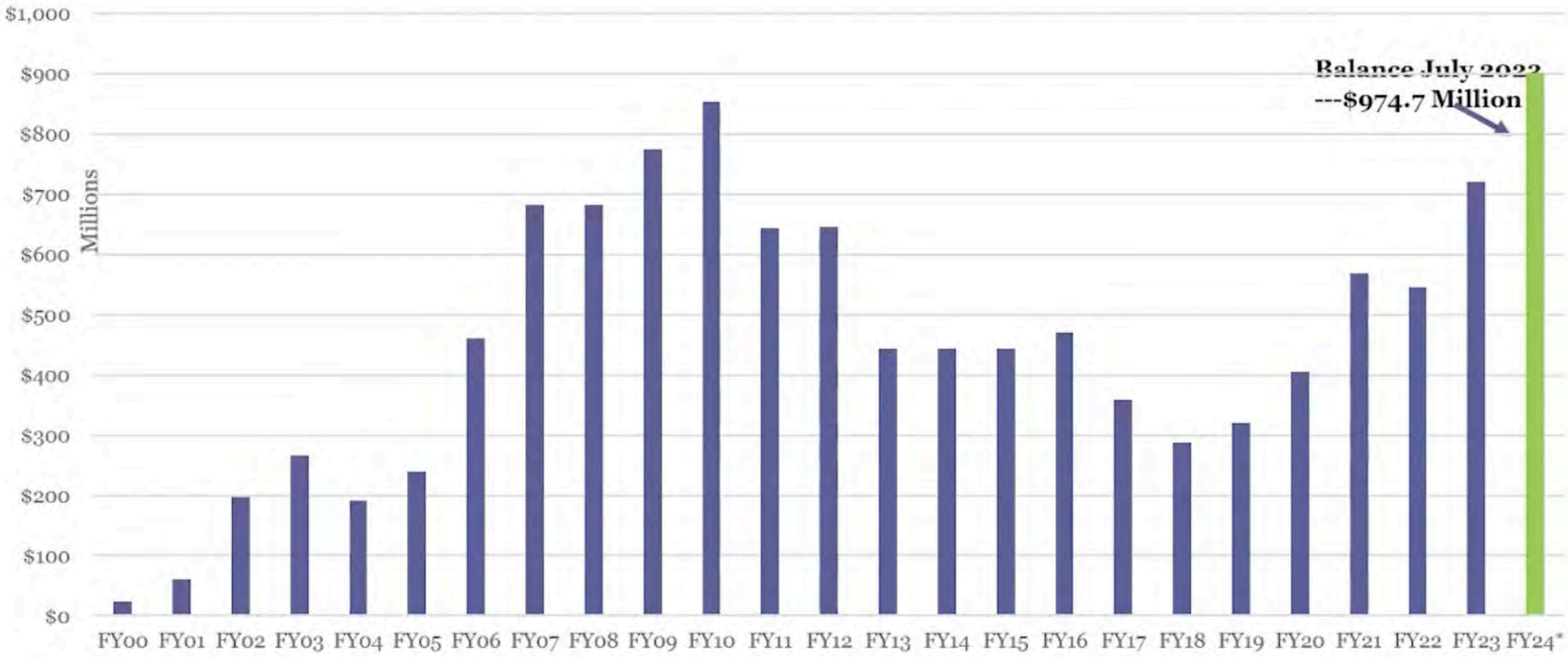
- State Finances & Taxes
  - Status of State Savings Accounts
  - Tax Reform 2021
  - Expected Sales Tax Changes

- 2023 Legislative Changes
  - Income and Franchise
  - Sales and Use
  - Administrative

Deficits to Surpluses

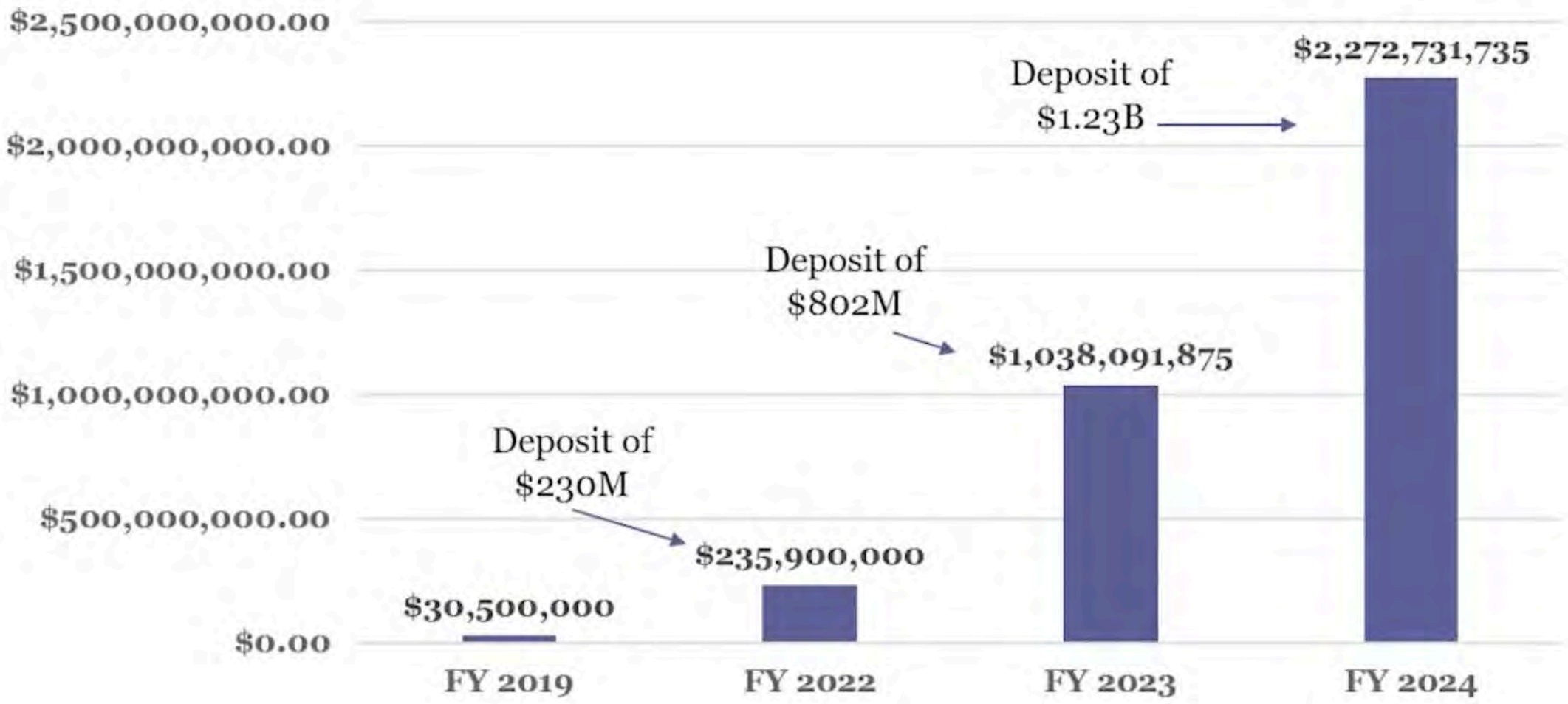


Budget Stabilization Fund



*Includes FY23 surplus deposit of $181.8M

Revenue Stabilization Fund



Fund created by Act 679 of the 2016 Regular Session

2021 Tax Reform
(Effective 2022 Tax Year)

Individual Income Tax

- Repeal FIT deduction
- Rate decrease
  - 2% > 1.85%
  - 4% > 3.50%
  - 6% > 4.25%
- Max rate of 4.75%
- Rate reduction triggers
- Limits EID to medical expenses
  - No longer required to add-back state benefit of donation to STO
    - See next slide

Corporation Income Tax

- Repeal FIT deduction
- 2021 and prior
  - 4% (>25k)
  - 5% (25k-50k)
  - 6% (50k-100k)
  - 7% (100k-200k)
  - 8% (200k<)
- 2022 and after
  - 3.5% (>50k)
  - 5.5% (50k-150k)
  - 7.5% (150k<)

Corporation Franchise Tax

- Effective for franchise tax year 2023 and after
- Taxable capital of $300k and less
  - No tax
    - Prior rate: $1.50
- Taxable capital of $300k and more
  - $2.75 per $1000
    - Prior rate: $3
- Rate reduction triggers

ATTACH TO RETURN IF COMPLETED.

SCHEDULE E – 2021 ADJUSTMENTS TO INCOME

Enter your Social Security Number.

1	FEDERAL ADJUSTED GROSS INCOME – Enter the amount from your Federal Form 1040 or 1040-SR, Line 11. Check box if amount is less than zero.	☐	1
2A	INTEREST AND DIVIDEND INCOME FROM OTHER STATES AND THEIR POLITICAL SUBDIVISIONS		2A
2B	RECAPTURE OF START CONTRIBUTIONS	■	2B
2C	ADD BACK OF DONATION TO SCHOOL TUITION ORGANIZATION CREDIT		2C
2D	ADD BACK OF PASS – THROUGH ENTITY LOSS		2D
3	TOTAL – Add Lines 1, 2A, 2B, 2C, and 2D.		3

■ ATTACH TO RETURN IF COMPLETED.

SCHEDULE E – 2022 ADJUSTMENTS TO INCOME

Enter your Social Security Number.

1	FEDERAL ADJUSTED GROSS INCOME – Enter the amount from your Federal Form 1040 or 1040-SR, Line 11. Check box if amount is less than zero.	☐	1
2A	INTEREST AND DIVIDEND INCOME FROM OTHER STATES AND THEIR POLITICAL SUBDIVISIONS		2A
2B	RECAPTURE OF START CONTRIBUTIONS	■	2B
2C	RECAPTURE OF START K12 CONTRIBUTIONS		2C
2D	ADD BACK OF PASS – THROUGH ENTITY LOSS		2D
3	TOTAL – Add Lines 1, 2A, 2B, 2C, and 2D.		3

Future State Tax Changes

State Sales & Use Tax

Effective July 1, 2025

Roll off of 0.45% temporary sales tax

Reinstatement of suspended sales tax exemptions (e.g. business utilities)

Partial dedication of sales tax to Transportation Trust Fund

2023
Major Tax Legislation

Income & Franchise Tax

- Act 423 – Schlegel
  - Increases the IIT deduction for private school tuition, public school uniforms and fees, and home-schooled expenses
    - $5,000 to $6,000
    - Effective beginning with 2024 tax year

- Act 452 – Edmonds
  - Creates a refundable IIT credit for certain private adoptions
    - Child must not be related to the taxpayer and be age 2 and under
    - $5,000 credit

- Act 403 – Landry
  - Allows a nonrefundable $500 tax credit for purchases of firearm safety devices
    - 1 transaction per taxpayer per year, but can be multiple devices
    - $500,000 cap per year
    - Effective 2024 to 2027

Comparison of Tax Benefits for Adoptions

	Deduction for Adoption from Foster Care	Deduction for Adoption of Unrelated Infant	Adoption of Unrelated Infant Credit
Legal Citation	R.S. 47:297.20	R.S. 47:297.21	R.S. 47:297.23
Deduction/Credit	Deduction from income of $5,000	Deduction from income of $5,000	Refundable credit against tax of $5,000
$1,000 dependency deduction allowed	No; cannot claim dependency deduction	No; cannot claim dependency deduction	Yes
Age of child at placement	Less than 18 years old, or 21 if receiving extended foster care services	Less than one year old	Less than three years old
Can child be related?	Yes	No	No
Can child be adopted from foster care?	Yes; or receiving extended foster care services	No	No
Available for residents and nonresidents?	Resident only	Resident only	Residents and nonresidents
Effective for:	Adoptions finalized on or after January 1, 2022	Adoptions finalized on or after January 1, 2022	Adoptions finalized on or after January 1, 2023
Where to claim?	Form IT-540, Schedule E, code 30E	Form IT-540, Schedule E, code 30E	Form IT-540, Schedule F, code 78F or Form IT-540B, Schedule F-NR, code 78F

Income & Franchise Tax

- Act 450 – Pressly
  - Expands the list of eligible entities for the pass-through entity election to include estates, trusts, and partnerships
  - Allows for automatic termination of the election upon request
    - Five year opt out period if terminated
  - Revenue Information Bulletin No. 23-022

- Act 242 – Stine
  - Directs LDR to adopt regulation for capital gain deduction establishing:
    - Documentation requirements and de minimus exceptions for small transactions
    - Eligibility restrictions when (1) a majority of assets are outside of Louisiana and (2) related party transaction

Income & Franchise Tax

- Act 413 – Willard
  - Makes permanent the 2015 reforms for the credit for taxes paid to other states
  - Removes ability to "triple dip" between the deduction and credit
  - Revenue Information Bulletin 23-24

- Act 430 – Nelson
  - Removes Louisiana's throw-out sourcing rule for corporate apportionment
  - Reconciles conflicting language from 2016 legislation
    - Applicable beginning in 2024

Sales & Use Tax

- Act 288 – Cathey
  - Reinstates the Second Amendment sales tax holiday
    - Does not include ATVs or boats
  - Revenue Information Bulletin 23-018

- Act 425 – Johnson
  - Partially exempts agricultural fencing for commercial farmers
  - Revenue Information Bulletin 23-010

- Act 427 – McFarland
  - Removes the Schedule F reporting requirement for commercial farmers
    - Allows LDR expanded rulemaking authority
  - Specifically excludes hobby farmers

Administrative

- Act 289 – Connick
  - Resolves the international mail issue for formal assessments
  - Provides a Payment Under Protest deadline for self-assessments
  - Requires self-assessments over $1,000 to be sent certified
    - Includes provision that, if assessment is sent by both certified and regular mail, then presumption of receipt exists in favor of LDR

Electric and Hybrid Road Usage Fee

- Act 578 (RS2022)
  - Annual fee for certain types of vehicles
    - $110 for electric
    - $60 for hybrid
    - Reduced amount for part year ownership

Vehicle #1

Vehicle Ownership: Enter an "X" in the appropriate box below.

- ☐ I owned/leased the listed vehicle for the whole calendar year.
- ☐ I obtained ownership or a lease on the listed vehicle within the calendar year. Enter date *(mm/dd/yyyy)*: _____
- ☐ I sold, transferred, or donated the listed vehicle during the calendar year. Enter date *(mm/dd/yyyy)*: _____
- ☐ I sold or traded in the listed vehicle to a motor vehicle dealer during the calendar year. Enter date *(mm/dd/yyyy)*: _____
- ☐ I own or lease a vehicle that is registered in another state and must be registered in Louisiana. Number of months fee is based on: _____
- ☐ The vehicle is a school bus *(see instructions)*.

Vehicle Information	Vehicle Type ☐ Electric ☐ Hybrid	Make		Model
	VIN		Year	License plate number
Fee Amount	A. Electric Vehicle: $110 or prorated fee *(See instructions.)*		B. Hybrid Vehicle: $60 or prorated fee *(See instructions.)*	
Complete only if vehicle has been sold, transferred, donated or traded in.	Name of new owner or motor vehicle dealer			Transaction Date (mm/dd/yyyy)
	Address			City, State, ZIP