

Revenue Information Bulletin No. 07-015

July 25, 2007

Individual and Corporation Income Tax

Credit for the Louisiana Citizens Property Insurance Corporation Assessments

In December 2006 the Louisiana Legislature enacted Revised Statute 47:6025, which authorized a refundable income tax credit for the Louisiana Citizens Property Insurance Corporation (Citizens) assessments that resulted from Hurricanes Katrina and Rita. Act 382 of the 2007 Regular Legislative Session amended Revised Statute 47:6025 to allow any refund of Citizens assessments paid during 2007 and thereafter to be claimed by filing a Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment Form [R-540INS](#) for individuals and Form [R-620INS](#) for business entities at the time of payment. Taxpayers required to file an income tax return have the option of claiming the credit for the Citizens assessment with their regular income tax return or on the Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment Form. The credit may not be claimed on both the income tax return and the Request for Refund form.

The Citizens assessments are the result of losses on insured property caused by Hurricanes Katrina and Rita. In years when there are no large catastrophic losses, Citizens collects enough premiums to cover their cost of their operations. However, the massive losses of Hurricanes Katrina and Rita cost Citizens over \$1.2 billion, which created a deficit. Citizens assessments on property insurance policies in Louisiana were used to partially fund this deficit left by Hurricanes Katrina and Rita.

How to determine the amount of the credit

Property insurance premium notices issued after October 2005 may include the Citizens assessments due to Hurricanes Katrina and Rita. The Citizens assessments are listed separately on the policy's declaration page of the insurance premium notice. The declaration page names the policyholder, describes the property or liability to be insured, the type of coverage, and policy limits. If there is not enough space on the declaration page, a supplemental schedule that itemizes the Citizens assessments may be attached.

The following Citizens assessment charges listed on the policy's declaration page or supplementary schedule are eligible for the credit or refund:

- Louisiana Citizens FAIR Plan Regular Assessment Recoupment Surcharge
- Louisiana Citizens Coastal Plan Regular Assessment Recoupment Surcharge
- Louisiana Citizens FAIR Plan Emergency Assessment
- Louisiana Citizens Market Equalization Charge

Note: Some insurer's assessment descriptions may vary slightly from the above descriptions.

Insurance policies may include one or more of the assessments listed above. The credit will be for the total of the Citizens assessments that were added to the regular insurance premium. The credit is not a credit for the total amount due on the insurance bill. The regular insurance premium should not be added to the Citizens assessments.

When can the credit be claimed?

The credit may only be claimed in the year paid regardless of the due date of the premium. Citizens assessments paid before January 1, 2007, can be claimed on the first income tax return with a due date in 2007. Citizens assessments paid in 2005 or 2006 can be claimed as a credit on the 2006 income tax return. If the homeowner or property owner paid multiple Citizens assessments, for example, one in December 2005 and another in December 2006, credit can be claimed for both payments on the 2006 income tax return. Assessments made before January 1, 2007, that were paid in periodic payments to the insurance company (e.g. monthly or quarterly), may be claimed as a credit on the 2006 tax return if the first periodic payment was made before January 1, 2007.

Citizens assessments paid on or after January 1, 2007, may be claimed on the 2007 income tax return which is due in 2008. However, Act 382 of the 2007 Regular Legislative Session amended Revised Statute 47:6025 to allow Citizens assessments paid during 2007 and thereafter to file the Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment Form [R-540INS](#) for individuals and Form [R-620INS](#) for business entities at the time of payment.

Note: If the credit is claimed on Form [R-540INS](#) or Form [R-620INS](#) at the time of payment, the credit may not be claimed on the Louisiana income tax return.

What form should be used to claim the credit?

The form that individuals use to claim the credit will depend on whether the individual is required to file a Louisiana income tax return.

Individuals who are required to file a Louisiana income tax return

Louisiana Resident Taxpayers

For 2005, the credit should be claimed on Schedule F, Line 8, of the Louisiana Resident income tax return, Form IT-540. For 2006, the credit should be claimed on Schedule F, Line 9. Both of these lines are entitled "Other Refundable Tax Credits." Write "Citizens Assessments" in the space provided on the respective lines and enter the amount of the credit in the boxes designated. You must attach a copy of your insurance declaration page and any supplemental pages, if necessary, to your return for the credit to be allowed.

For Citizens assessments paid on or after January 1, 2007, Louisiana residents may claim the credit when they file their 2007 Louisiana Resident income tax return or they may file the R-540INS in addition to their income tax return. The credit may not be claimed on both the income tax return and the R-540INS.

Nonresident and Part-year Resident Louisiana Taxpayers

For 2005, the credit should be claimed on Schedule F-NR, Line 8 of the Louisiana Nonresident and Part-year Resident income tax return, Form IT-540B. For 2006, the credit should be claimed on Schedule F-NR, Line 9. Both of these lines are entitled "Other Refundable Tax Credits." Write "LA Citizens Assessments" in the space provided on the respective lines and enter the amount of the credit in the boxes designated. You must attach a copy of your insurance declaration page and any supplemental pages, if necessary, to your return for the credit to be allowed.

For Citizens assessments paid on or after January 1, 2007, taxpayers may claim the credit when they file their 2007 Louisiana Nonresident and Part-year Resident income tax return or they may file the [R-540INS](#) in addition to their income tax return. The credit may not be claimed on both the income tax return and the [R-540INS](#).

Individuals who are not required to file a Louisiana income tax return

Individuals who are not required to file a Louisiana individual income tax return must file their claim for refund on the "Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment, Form [R-540INS](#). A copy of your homeowner's or property's insurance declaration page and any supplemental page that shows the charges for the Citizens assessment must be attached to the Form [R-540INS](#).

Assessments paid on or after January 1, 2007

The credit can be claimed on the individual income tax return or by filing a "Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment," Form [R-540INS](#) after the assessment has been paid. For individuals who had more than one property for which the Citizens assessments were paid, Form [R-INS Supplement](#) must also be completed. Documentation for each property listed must be attached to the form when it is filed.

Note: If credit for the Citizens assessment is claimed on Form [R-540INS](#), the credit may not be claimed on the Louisiana income tax return.

Corporations

Corporation required to file Louisiana corporation income and franchise tax returns

For assessments paid before January 1, 2007, the credit must be claimed on the Corporation Income and Franchise Tax return, Form CIFT-620, Schedule RC, Line 9, entitled "Other Refundable Credit." Print "LA Citizens Assessment" in the space provided. Fiscal year filers that are claiming the credit on a 2005 Louisiana Corporation Income and Franchise Tax return with a due date that is on or after January 1, 2007, must claim the credit on the [2005 CIFT-620](#), Schedule RC, Line 8, entitled "Other Refundable Credit." Print "LA Citizens Assessments" in the space provided.

For assessments paid on or after January 1, 2007, the credit can be claimed when the corporation files its Corporation Income and Franchise Tax return, Form CIFT-620 or it may file the [R-620INS](#). The credit may not be claimed on both the income tax return and the Form [R-620INS](#).

Corporations not required to file Louisiana corporation income and franchise tax returns

The credit may be claimed on Form [R-620INS](#), the Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment at the time of payment. If the corporation had more than one property for which the Citizens assessments were paid, Form R-INS Supplement must also be completed. Documentation, including proof of payment, for each property listed must be attached to the form when it is filed.

Sole proprietors

If the business that paid the Citizens assessments is a sole proprietorship that files a Louisiana Resident income tax return, IT-540, for 2005 the credit should be claimed on Schedule F, Line 8. For 2006 the credit should be claimed on Schedule F, Line 9. If these lines are entitled "Other Refundable Tax Credits," print "LA Citizens Assessments" in the space provided.

If the business that paid the Citizens assessments is a sole proprietorship that files a Louisiana Nonresident and Part-year Resident income tax return, IT-540B, for 2005 the credit should be claimed on Schedule F-NR, Line 8. For 2006 the credit should be claimed on Schedule F-NR, Line 9. If these lines are entitled "Other Refundable Tax Credits," write "LA Citizens Assessments" in the space provided.

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For Citizen's assessments paid on or after January 1, 2007, sole proprietors may claim the credit when they file their 2007 Louisiana income tax return or they may file the R-540INS. The credit may not be claimed on both the income tax return and the R-540INS.

S corporations

If the business that paid the Citizens assessments operated as an S corporation during 2006, the Citizens credit must be used at the corporation level unless the S corporation makes the annual flow through election provided for in [R.S. 47:1675 \(G\)\(2\)\(b\)](#).

An S corporation that is entitled to the Citizens credit may elect to flow through the entire amount of the credit to its shareholders. The election may be made separately for each credit received by the S corporation and is made annually. There is no special form required to make the election. The election is made when the S corporation does not claim the credit on the CIFT-620, but instead allows each shareholder to claim that shareholder's share of the credit on their own income tax return. Once made, the election may not be revoked for that tax year.

The S corporation that elects to flow through any credits, including the Citizens credit, must prepare and distribute to each shareholder a schedule detailing the shareholder's share of each credit for which the election is made. Shareholders claiming the credit should attach a copy of this schedule to the income tax return on which the credit is claimed.

Business entities not subject to Louisiana income tax—Flow-through of the credit

If the business that paid the Citizens assessments is an entity not subject to Louisiana income tax, such as a partnership, the Citizens credit will flow through to partners or members of the entity as provided in the operating agreement. In the absence of an operating agreement or if the operating agreement is silent with respect to the allocation of tax items, the Citizens credit will flow through to each partner or member in accordance to the partner or member's ownership interest in the entity.

Insurance companies

Insurers that paid the 2005 regular assessment levied by the Louisiana Citizens Property Insurance Corporation before January 1, 2007, and did not pass on the entire assessment to their policyholders are eligible to receive a credit for the amount of the regular assessment that they did not recover.

Insurers that paid the 2005 regular assessment and levied a recoupment surcharge on the policyholders to recover the Citizens regular assessment are not entitled to receive a credit for the amount of the assessment they recovered.

Eligible insurers that are not subject to Louisiana income tax may claim the credit on Form [R-620INS](#), the Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment. To claim the credit for the total Citizens regular assessment or for that portion not recovered, the insurer must provide a copy of the Citizens regular assessment payment notice and proof of payment. In addition, the insurer must provide a certified statement and audited summary of the final amount recovered from the insurer's policyholders. A copy of the certified statement, proof of payment, and audited summary must also be filed with the Louisiana Department of Insurance, Office of Property and Casualty.

Nonfilers—Entities not required to file a Louisiana income tax return

Exempt organizations and corporations such as churches, not-for-profit hospitals, charities, 501(C)(3) organizations, community foundations, banks that pay the local shares tax, public entities such as municipalities and school boards, and other corporations exempt from the Louisiana corporate income tax under R.S.47:287.501 that paid the Citizens assessments are eligible for the Citizens credit.

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If the exempt organization is not required to file a Corporation Income and Franchise Tax return, a claim for refund should be filed on the “Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment,” Form [R-620INS](#).

If the exempt organization is required to file a corporation income and franchise tax return, the credit may be claimed when the corporation files its return, Form CIFT-620 or it may file the [R-620INS](#) to claim the credit at the time the assessment is paid. The credit may not be claimed on both the income tax return and the R-620INS.

What documents are required to be filed and retained?

Paper returns:

A copy of the property’s insurance declaration page and any supplemental pages that show the separate charges for the Citizens assessments and proof of payment must be attached to the income tax return or the Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment Form [R-540INS](#) for individuals and Form [R-620INS](#) for business entities.

Returns filed electronically:

Homeowners or property owners must retain their homeowner’s or property’s insurance declaration page and any supplemental pages that show the separate line item charges for four years and be able to produce the documents in the case of an audit.

Tax returns prepared by paid preparer:

Taxpayers must bring a copy of their homeowner’s or property’s insurance declaration page and any supplemental pages that shows the separate line item charges for the Citizens assessments to their preparer. Preparers may not claim this credit on a taxpayer’s return without this documentation.

Substitute documents:

A substitute document issued by your insurance company that contains the line item Citizens assessments will be accepted if the original declaration page is not available.

Retention of documentation of proof of payment:

Individuals must keep any documents showing proof of payment for four years and be able to produce the documents in the case of an audit. Documents that will be accepted as proof of payment include cancelled checks, an image of a check, or an itemized escrow statement.