

Revenue Information Bulletin No. 16-039

July 19, 2016

Individual Income Tax

Act 11 of the 2016 Second Extraordinary Session of the Louisiana Legislature

Act 11 of the 2016 Second Extraordinary Session of the Louisiana Legislature limits the individual income tax deduction provided by La. R.S. 47:293(9)(a)(xvii) for certain net capital gains. The deduction is for net capital gains resulting from the sale or exchange of an equity interest in or substantially all of the assets of a nonpublicly traded corporation, partnership, limited liability company, or other business organization commercially domiciled in Louisiana.

Act 11 limits the deduction to net capital gains resulting from the sale or exchange of an equity interest or assets held by the taxpayer for a minimum of five years immediately prior to the sale or exchange.

The amount of the deduction is further subject to the following limitations:

- For the sale or exchange of an equity interest or substantially all of the assets of an entity domiciled in the state for five years or greater, but less than ten years, prior to the sale or exchange, the amount of the capital gains deduction is fifty percent.
- For the sale or exchange of an equity interest or substantially all of the assets of an entity domiciled in the state for ten years or greater, but less than fifteen years, prior to the sale or exchange, the amount of the capital gains deduction is sixty percent.
- For the sale or exchange of an equity interest or substantially all of the assets of an entity domiciled in the state for fifteen years or greater, but less than twenty years, prior to the sale or exchange, the amount of the capital gains deduction is seventy percent.
- For the sale or exchange of an equity interest or substantially all of the assets of an entity domiciled in the state for twenty years or greater, but less than twenty-five years, prior to the sale or exchange, the amount of the capital gains deduction is eighty percent.
- For the sale or exchange of an equity interest or substantially all of the assets of an entity domiciled in the state for twenty-five years or greater, but less than thirty years, prior to the sale or exchange, the amount of the capital gains deduction is ninety percent.
- For the sale or exchange of an equity interest or substantially all of the assets of an entity domiciled in the state for thirty years or greater, the amount of the capital gains deduction is one hundred percent.

The provisions of Act 11 apply to sales or exchanges of equity interests or assets that occur on or after June 28, 2016.

For additional information regarding this deduction, please refer to Revenue Information Bulletin No. 10-017.

For questions concerning this matter, please contact the Policy Services Division at (225) 219-2780.

Kimberly Lewis Robinson
Secretary

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