

**Revenue Ruling
No. 05- 008
December 23, 2005
Individual Income Tax**

Credit for Income Tax Liabilities Paid to Other States by Part-Year Resident

Purpose: This revenue ruling explains that a part-year resident has the option of filing a return as a resident using form (IT-540) or part-year resident using form (IT 540B).

Analysis/Discussion: There is imposed an income tax for each taxable year upon the Louisiana income of every individual, whether resident or nonresident.

Resident individuals are taxed upon net income from whatever source and must file a resident form (IT-540). R.S.47:31(1) provides that every natural person who spends in the aggregate more than six months of the taxable year within the state is deemed to be a resident for purposes of determining income tax liability. R.S. 47:33 provides a credit to resident individuals against taxes for net income taxes imposed by and paid to another state on income which is taxable under the laws of the other state irrespective of the residence or domicile of the recipient. R.S. 47:33, however, provides no relief for taxes paid to other states by taxpayers filing the part-year resident form.

Individuals who are residents for part of the year, but less than six months, and nonresidents for the remainder of the year must report income from all sources for the portion of the year they are residents, and all income from Louisiana sources for the portion of the year during which they are nonresidents. These individuals may file the nonresident and part-year resident form (IT-540B). Because a part-year resident is not prohibited from reporting as a resident for the entire year, these individuals also have the option to file the resident form (IT-540).

In certain situations a taxpayer who is a part-year resident may find it advantageous to file a resident return (IT-540) reporting all income for the year from whatever source derived and claiming credit for taxes paid to another state. There is nothing prohibiting a part-year resident reporting as a resident.

Conclusion: Because a part-year resident must report income from all sources for the portion of the year he is a resident, it is possible to have income that is taxable under the laws of another state irrespective of residency or domicile during the period of residency in Louisiana. If an income tax liability was paid to another state on income earned in that state during the period of residency in Louisiana, the part-year resident has the option of filing either a resident form (IT-540) reporting all income earned regardless of the source or nonresident form (IT-540B). To receive credit for taxes paid to another state the part-year resident must file resident form (IT-540).

Cynthia Bridges
Secretary

A Revenue Ruling is issued under the authority of LAC 61III.101 (C). A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is a written statement issued to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.