RULE
Department of Revenue
Policy Services Division

Corporation Franchise Tax-Surplus and Undivided Profits
(LAC 61:1.305)

Under the authority of R.S. 47:605.A, R.S. 47:1511, and
in accordance with the provisions of the Administrative
Procedure Act, R.S. 49:950 et seq., the Department of
Revenue, Policy Services Division, amends LAC 61:1.305
relative to adjustments by regulated companies for
depreciation sustained but not recorded.

Louisiana Revised Statute 47:605.A states that "When,
because of regulations of a governmental agency controlling
the books of a taxpayer, the taxpayer is unable to record on
its books the full amount of depreciation sustained, the
taxpayer may apply to the collector of revenue for
permission to add to its reserve for depreciation and deduct
from its surplus the amount of depreciation sustained but not
recorded, and if the collector finds that the amount proposed
to be so added represents a reasonable allowance for actual
depreciation, he shall grant such permission." By amending
LAC 61:1.305, the Department of Revenue provides
guidance concerning the conditions under which adjustments
for depreciation sustained but not recorded can be made.

Title 61
REVENUE AND TAXATION
Part I. Taxes Collected and Administered by the
Secretary of Revenue
Chapter 3. Corporation Franchise Tax
§ 305. Surplus and Undivided Profits

A. - B.3. …

C. Adjustment by regulated companies for depreciation
sustained but not recorded. When, because of regulations of
a governmental agency controlling the books of a taxpayer,
the taxpayer is unable to record on its books the full amount
of depreciation sustained, the taxpayer may apply to the
collector of revenue for permission to add to its reserve for
depreciation and deduct from its surplus the amount of
depreciation sustained but not recorded, and if the collector
finds that the amount proposed to be so added represents a
reasonable allowance for actual depreciation, he shall grant
such permission.

1. Permission to add to depreciation reserves and
reduce surplus must be requested in advance and shall be
granted only in those instances in which a governmental
agency requires that the books of the corporation reflect a
depreciation method under which the total accumulated
depreciation reflected on the books is less than would be
reflected if the straight-line method of depreciation had been
applied from the date of acquisition of the asset. The period
over which depreciation shall be computed shall be the
expected useful life of the asset.

2. The amount of adjustment shall be the amount of
accumulated depreciation which would be reflected on the
books if the straight-line method had been applied from the
date of acquisition of the asset, less the amount of
accumulated depreciation actually reflected on the books.

3. Permission granted by the secretary shall be
automatically revoked upon a material change in the facts
and circumstances presented by the taxpayer.

4. Permission granted by the secretary shall be for a
period of six years, at which time the taxpayer must reapply
for permission to continue making the adjustment.

AUTHORITY NOTE: Promulgated in accordance with R.S.

HISTORICAL NOTE: Promulgated by the Department of
Revenue and Taxation, Income and Corporation Franchise Taxes
Section, Office of Group III, LR 6:25 (January 1980), amended LR

Cynthia Bridges
Secretary

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