

## NOTICE OF INTENT

### Department of Revenue Policy Services Division

Presidential Disaster Relief Credits  
(LAC 61:I.601)

Under the authority of R.S. 47:1511, R.S. 47:287.85(C)(2), R.S. 47:293(3), R.S. 47:287.785 and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the Department of Revenue, Policy Services Division, proposes to adopt LAC 61:I.601 relative to certain federal disaster tax relief credits.

During the fall of 2005, Hurricanes Katrina and Rita made landfall on the southern gulf coast of the United States causing certain areas of Louisiana, Alabama, Texas and Mississippi to be presidentially declared disaster areas. Consequently, the 2005 First Extraordinary Session of the Louisiana Legislature was called to address, among other matters, Louisiana income tax relief. In particular, Act 23 of the 2005 Extraordinary Session was passed to amend and reenact R.S. 47:287.85(C)(2) and R.S. 47:293(3) to provide that the Louisiana income tax deduction for federal income taxes paid shall not be reduced by the amount of federal disaster relief tax credits. Normally, when federal income tax liability is decreased by credits Louisiana income tax liability increases since Louisiana provides a deduction for federal income tax paid. This provision prevents Louisiana taxpayers from paying additional tax because they received federal disaster relief credits.

Act 23 further amends R.S. 47:293(3) to authorize the secretary to determine which federal credits are disaster relief credits and to promulgate rules and regulations pertaining to the disaster credits with the approval of the Senate Revenue and Fiscal Affairs Committee and the House Committee on Ways and Means jointly. Recently, Congress has passed the Katrina Emergency Tax Relief Act of 2005, Pub. L. No. 109-73, 119 Stat. 2016 (H.R. 3768) and the Gulf Opportunity Zone Act of 2005 (H.R.4440), which provide for certain federal income tax credits. The purpose of the proposed Rule is to declare these credits as disaster relief credits and to provide guidance regarding their applicability.

The text of this proposed Rule may be viewed in its entirety in the Emergency Rule section of this issue of the *Louisiana Register*.

#### Family Impact Statement

The proposed adoption of LAC 61:I.601, regarding presidential disaster area disaster relief credits, specifically, the implementation of this proposed Rule will have no known or foreseeable effect on:

1. the stability of the family;
2. the authority and rights of parents regarding the education and supervision of their children;
3. the functioning of the family;
4. family earnings and family budget;
5. the behavior and personal responsibility of children;
6. the ability of the family or a local government to perform this function.

Any interested person may submit written data, views, arguments or comments regarding this proposed Rule to Michael D. Pearson, Senior Policy Consultant, Policy Services Division, Office of Legal Affairs by mail to P.O.

Box 44098, Baton Rouge, LA 70804-4098. All comments must be received no later than 5:30 p.m., Monday, February 27, 2006. A public hearing will be held on March 1, 2006 at 10 a.m. in the Magnolia Room, on the seventh floor of the LaSalle Building, 617 North Third Street, Baton Rouge, LA.

Cynthia Bridges  
Secretary

### FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES RULE TITLE: Presidential Disaster Relief Credits

#### I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENT UNITS (Summary)

Implementation of this proposed regulation will have minimal impact on the agency's costs. There will be one-time costs of approximately \$30,000 to implement the legislation and these corresponding rules. The costs are associated with tax reform redesign and additional instructions, computer program modifications and systems development. This \$30,000 additional expense will be absorbed in the department's current operating budget.

There will be no impact on local government costs.

#### II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

There will be no effect on revenue collections of state or local governmental units. While this legislation precludes the state from receiving additional personal income tax collections of about \$20 million, the official revenue forecasts do not incorporate an expectation of receiving any such revenue as the result of the hurricane Katrina and Rita events. Thus, the anticipated state revenue baseline is considered to be unaffected by the legislation.

#### III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

Taxpayers receiving the benefit of federal disaster tax relief will see no increase in their Louisiana tax liabilities.

#### IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

This proposed regulation should have no effect on competition or employment.

Cynthia Bridges  
Secretary  
0601#031

Robert E. Hosse  
Staff Director  
Legislative Fiscal Office