HCR 11 Task Force-May 20, 2016

DRAFT RESOLUTION: Apportionment of Interest Income/Dividends

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For purposes of the corporation income tax, income is divided into two classes, allocable and apportionable. Items of income classified as allocable income are allocated entirely to the states where such income is earned or derived. Allocable income includes items of income which are specifically provided by statute, including: rents and royalties from immovable or movable property; royalties or similar revenue from the use of patents, trademarks, copyrights, secret processes, and other intangible rights; income from estates, trusts, and partnerships; and income from construction, repair, or other similar services;

Apportionable income includes all items of gross income which are not properly includable in allocable income. Such items of income are apportioned between the states in proportion to the respective amounts of such income earned within each state;

For taxable periods beginning prior to January 1, 2006, allocable income included interest income and dividends from corporate stock. Act 401 of 2005 amended the allocable income provisions and provided for a deduction from gross income for interest income and dividends from corporate stock. Currently, Louisiana allows a deduction for 100% of interest income and 72% of dividend income which would otherwise be includable in gross income;

Accordingly, the Task Force recommends the state eliminate the current provisions which allow a 100% deduction for all interest income and 72% of dividends from corporate stock and treat such income as apportionable income for purposes of the corporation income tax.