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House Ways and Means Committee
Louisiana Legislature

Re: COST's Comments on S.B. 54 (Automatic Filing Extension)

Dear Chairman Bishop, Vice-Chair Beaulieu, and Members of the Committee:

On behalf of the Council On State Taxation (COST), I am writing to encourage the amendment of S.B. 54 to restore its applicability to corporate income tax returns. The bill, as currently drafted, provides for the automatic extension of time to file income tax returns if a taxpayer applies for a federal filing extension, but it does not apply to corporate income tax returns. As the bill made its way through the Senate, it was amended in committee to include corporate income tax returns.¹ However, a subsequent Senate floor amendment removed the application of the bill's provisions to corporate income tax returns.² Restoring the applicability of S.B. 54 to corporate income tax returns will both ease compliance for corporate taxpayers and reduce administrative burdens on the Louisiana Department of Revenue.

About COST

COST is a non-profit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of over 500 major corporations engaged in interstate and international business, many of which directly do business in Louisiana. COST's objective is to preserve and promote the equitable and non-discriminatory state and local taxation of multijurisdictional business entities.

Fair, Efficient, and Customer-Focused Tax Administration

The COST Board of Directors has adopted a formal policy statement outlining fair, efficient, and customer-focused tax administration. Regarding the timing of the state corporate tax return filing, the policy statement provides:

The state's corporate income/franchise tax return due date should be at least 30 days after the federal tax return due date. Further, the state's corporate income/franchise tax return due date should be automatically extended with the granting of a federal extension. Extending state due dates assists taxpayers in their efforts to file correct returns based on

complete federal return information. Although corporate taxpayers often file a single consolidated federal return, the adjustments necessary to generate the multitude of state tax returns required are complex and time-consuming. To ease administrative burdens, an automatic state extension should only require attaching a copy of the federal extension with the state return to qualify.¹

Current law allows an extension of time for filing the combined corporation income and franchise tax return not to exceed seven months from the date the return is due. The extension, however, is not automatic. Restoring the applicability of S.B. 54 to corporate income tax returns provides a permanent fix to this recurring issue by automatically allowing a Louisiana extension if the taxpayer files for a federal extension. Making this change would both enhance the accuracy of state returns filed by taxpayers and ease the administrative burdens imposed on tax administrators by reducing the number of amended returns filed due to the concurrent federal and state filing deadlines.

State returns are based on federal returns and cannot in practice be completed until the federal return has been filed. The issue is particularly problematic given the complexity and lack of state and federal guidance surrounding state conformity to the federal Tax Cuts and Jobs Act (TCJA) of 2017, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020, and any new federal tax changes.

Conclusion

We encourage you to restore the applicability of S.B. 54 to corporate income tax returns, which will greatly improve Louisiana's national reputation for fair, efficient and customer-focused tax administration.

Respectfully,



Patrick J. Reynolds

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director

¹ See Senate Committee Amendments #753 R&F (adopted) available here:
<https://www.legis.la.gov/legis/ViewDocument.aspx?d=1260515>

² See Senate Floor Amendment #1089 (adopted) available here:
<https://www.legis.la.gov/legis/ViewDocument.aspx?d=1262909>

¹ COST's policy statement on Fair, Efficient, and Customer-Focused Administration is available at:
<https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/fair-efficient-and-customer-focused-tax-administration.pdf>.