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KPMG reports: Louisiana (GILTI); Washington State (B&O tax)

KPMG's This Week in State Tax—produced weekly by KPMG's State and Local Tax practice—focuses on recent state and local tax developments.

- **Louisiana:** The Department of Revenue issued guidance concerning the state tax treatment of global intangible low-taxed income (GILTI). Revenue Information Bulletin 19-016 announced that GILTI will be classified as dividend income for Louisiana corporate income tax purposes. Because Louisiana currently has a 100% dividends received deduction, no portion of GILTI will be taxable for Louisiana corporation income tax purposes. Any deduction taken on a corporation's federal return related to GILTI income will not be allowed for Louisiana corporation income tax purposes and will need to be added back. The guidance also addresses how resident and non-resident individuals and trusts will report GILTI and reminds these taxpayers that individuals and fiduciary filers are not entitled to a dividends received deduction for GILTI.

- **Washington State:** A tax review officer determined that the Department of Revenue properly reclassified a taxpayer's income for business and occupation (B&O) tax purposes. The taxpayer (an automotive finance and insurance services corporation) marketed and sold a variety of products for car dealers, including extended warranties, vehicle service contracts, guaranteed asset protection (GAP) waiver agreements, and other products. During an audit that covered the period during which the taxpayer's president held an insurance agent's license, the taxpayer reported its income under the "insurance agents/brokers' commissions B&O tax" classification. The Department of Revenue found an understatement of income subject to tax, but made no income classification changes on the audit. The audit at issue covered the period the taxpayer's had an insurance producer's license. During this audit, the Department of Revenue reclassified the sales commission income from sales of extended warranties, vehicle maintenance agreements, and GAP waivers to the "service and other" classification, rather than the "insurance agents/brokers' commissions" classification. Because service income is subject to B&O at a higher tax rate, the taxpayer owed additional tax as a result of the reclassification.

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