

Claiming the Credit for the Louisiana Citizens Property Insurance Corporation Assessments

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Revenue Information Bulletin

No. 07-005

January 25, 2007¹

Individual Income Tax

Claiming the Credit for the Louisiana Citizens Property Insurance Corporation Assessments

The Taxpayer Services Division announces the following:

Purpose

The purpose of this Revenue Information Bulletin is to inform individuals about the new income tax credit for the Louisiana Citizens Property Insurance Corporation regular assessments, emergency assessments, insurance companies' regular assessment recoupment surcharge and market equalization charges that were a result of Hurricanes Katrina and Rita (collectively, LA Citizens assessments). This RIB will also describe what documents individuals will need to determine the amount of the refund, what form individuals should use to claim the credit, and what documents must be attached to the income tax return.

Introduction

In December 2006, the Louisiana Legislature authorized a refundable income tax credit for the LA Citizens assessments that resulted from Hurricanes Katrina and Rita. This credit is available to people who paid the LA Citizens assessments in addition to their homeowner's or property insurance premium.

The LA Citizens assessments are a result of losses on insured property caused by Hurricanes Katrina and Rita. In years when there are no large catastrophic losses, LA Citizens collects enough premiums to cover their cost of operations. However, the massive losses of Hurricanes Katrina and Rita cost LA Citizens over \$1.2 Billion, which created a deficit. LA Citizens assessments on assessable property insurance policies in Louisiana were used to partially fund this deficit left by Hurricanes Katrina and Rita.

How to Determine the Amount of the Credit

Premium notices received before January 1, 2007 may include the LA Citizens assessments due to Hurricanes Katrina and Rita. The LA Citizens assessments are shown as separate line item(s) in addition to your normal premium amount on what is referred to as the "declaration page" of your homeowner's or property insurance premium notice. The declaration page names the policyholder, describes the property or liability to be insured, the type of coverage, and policy limits. Due to limited space on the declaration page, some insurance companies may include a supplemental schedule that itemizes the LA Citizens assessments.

LA Citizens assessments line item charges may include any or all of the following (your insurer's description may vary slightly from the references below):

- Louisiana Citizens FAIR Plan Regular Assessment Recoupment Surcharge

A Revenue Information Bulletin (RIB) is issued under the authority of LAC 61:III.101(D). A RIB is an informal statement of information issued for the public and employees that is general in nature. A RIB does not have the force and effect of law and is not binding on the public or the Department.

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- Louisiana Citizens Coastal Plan Regular Assessment Recoupment Surcharge
- Louisiana Citizens FAIR Plan Emergency Assessment
- Louisiana Citizens Market Equalization Charge

To determine the amount of the credit that you can claim, add the charges for these line items together. If only one of the line items appears on your insurance bill, then that is the amount of your credit.

You must have actually paid these amounts to claim the credit. It does not matter if you directly paid your insurance company or if the payment was made for you by an escrow company.

This is NOT a credit for the total amount due on your insurance bill. Do NOT add your insurance premium to the LA Citizens assessments. Only claim the amount of the LA Citizens assessments.

When the Credit Can Be Claimed

The credit is claimed for the year paid regardless of the due date of your premium. Citizens assessments paid before January 1, 2007 can be claimed on the first income tax return with an original or extended return due date in 2007. Only LA Citizens assessments actually paid in 2005 or 2006 will be allowed as a credit on a 2006 income tax return. If you paid multiple LA Citizens assessments, for example, one in December 2005 and another in December 2006, you are entitled to claim a credit for both payments on your 2006 income tax return.

LA Citizens assessments paid in 2007 are eligible to be claimed on the 2007 income tax return which is due in 2008.

Required Documentation for Everyone Claiming the Credit

A copy of your homeowner's or property insurance declaration page that shows the separate line item charges for the LA Citizens assessments must be attached to all paper income tax returns. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to your income tax return. A substitute document issued by your insurance company that contains the line item LA Citizens assessments will also be accepted if you did not keep your original declaration page.

If you file electronically or through LDR e-file, your homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens assessments should be retained for 4 years in case of audit. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, retain both the declaration page and the supplemental page for 4 years in case of audit.

If you have your return prepared by a paid preparer, such as a national tax service firm or individual tax practitioner, you must bring a copy of the homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens assessments to your preparer. Preparers are not authorized to claim this credit on your behalf without this declaration page. If you are filing electronically, your preparer must keep a copy of this declaration page on file. If the insurance declaration page had a

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supplemental page itemizing the LA Citizens assessments, bring both the declaration page and the supplemental page to your tax preparer.

All individuals should keep any documents showing proof of payment for 4 years in case of audit. Documents that will be accepted as proof of payment include, but are not limited to, cancelled checks, an image of a check, or an itemized escrow statement.

If your policy renewal date is in 2007 and you paid the LA Citizens assessments before January 1, 2007, you may be required to provide proof that you actually paid the assessments in 2006 to be eligible to claim the credit on your 2006 tax return.

What Form to Use to Claim the Credit

The form that you will use to claim the credit will depend on whether you are required to file a 2006 Louisiana income tax return and whether you are a resident or nonresident who paid the LA Citizens assessments.

If you had more than one property for which you paid the LA Citizens assessments before January 1, 2007, such as a home and a camp, you must also prepare Form R-INS Supplement. If you file the R-540INS or if you file a paper IT 540 or IT 540B, you must attach the required documentation for each property listed when you file. All individuals who claim this credit should retain the required documentation for each property listed for 4 years in case of audit.

Individuals entitled to a credit because they are a sole proprietor or have rights to the credit from a partnership or other pass-through entity, should review RIB 07-006 for additional information.

Individuals Who Are Not Required to File a 2006 Louisiana Income Tax Return

If you are not required to file a personal income tax return, you will file your claim for refund on the special form provided by the Department of Revenue. This form is called the "Request for Refund of Louisiana Citizens Property Insurance Corporation (LA Citizens) Assessment." It is form number R-540INS, which is available in the Department's statewide offices and on the Department's website at www.revenue.louisiana.gov.

A copy of your homeowner's or property insurance declaration page that shows the separate line item charges for the LA Citizens assessments must be attached to the R-540INS. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to the R-540INS.

Individuals Who Must File a 2006 Louisiana Income Tax Return

Louisiana residents who file a Louisiana personal income tax return and are entitled to claim this credit will not use a special form. Residents will use the standard Louisiana Resident income tax return, the IT 540, and will list the credit on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessments" in the space provided.

If you file a paper income tax return, a copy of your homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens assessments must be attached to the return. If the insurance declaration page had a

supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to your income tax return.

If you file electronically, keep your homeowner's insurance declaration page that shows the separate line item charges for the LA Citizens assessments for 4 years. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, keep both the declaration page and the supplemental page to your income tax return.

Nonresident Louisiana taxpayers who file the 2006 Louisiana nonresident personal income tax return and are entitled to claim this credit will not use a special form. Nonresidents will use the standard Louisiana Nonresident and Part-year Resident income tax return, the IT 540B, and will list the credit on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessments" in the space provided.

If you file a paper income tax return, a copy of your homeowner's insurance declaration page or substitute document that shows the separate line item charges for the LA Citizens assessments must be attached to the return. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the declaration page and the supplemental page to your income tax return.

If you file electronically, keep your homeowner's insurance declaration page or substitute document that shows the separate line item charges for the LA Citizens assessments for 4 years. If the insurance declaration page had a supplemental page itemizing the LA Citizens assessments, keep both the declaration page and the supplemental page to your income tax return.

Revision History: This Revenue Information Bulletin was initially issued on December 27, 2006. Additional information regarding the emergency assessments, market equalization charge, and how to claim LA Citizens assessments paid before January 1, 2007 was added on January 25, 2007.

Revenue Information Bulletin

No. 07-006

January 25, 2007¹

Corporate Income Tax and Individual Income Tax

**Businesses and Exempt Organizations Claiming the Credit for the Louisiana
Citizens Property Insurance Corporation Assessments Paid**

The Taxpayer Services Division announces the following:

Purpose

The purpose of this Revenue Information Bulletin is to inform business taxpayers and exempt organizations about the new income tax credit allowed for the Louisiana Citizens Property Insurance Corporation (LA Citizens) regular assessments, emergency assessments, insurance companies' regular assessment recoupment surcharge and market equalization charges that were a result of Hurricanes Katrina and Rita (collectively, LA Citizens assessments). This RIB will also describe what documents are needed to determine the amount of the refund, what documents must be attached to the income tax return, and what forms should be used to claim the credit.

Introduction

In December 2006, the Louisiana Legislature authorized a refundable income tax credit for the LA Citizens assessments that resulted from Hurricanes Katrina and Rita. This credit is available to businesses including for-profit and not-for-profit corporations that paid the LA Citizens assessments in addition to their property insurance premium.

The LA Citizens assessments are a result of losses on insured property caused by Hurricanes Katrina and Rita. In years when there are no large catastrophic losses, LA Citizens collects enough premiums to cover their cost of operations. However, the massive losses of Hurricanes Katrina and Rita cost LA Citizens over \$1.2 Billion, which created a deficit. LA Citizens assessments on assessable property insurance policies in Louisiana were used to partially fund this deficit left by Hurricanes Katrina and Rita.

How to Determine the Amount of the Credit

Premium notices received before January 1, 2007 may include the LA Citizens assessments due to Hurricanes Katrina and Rita. The LA Citizens assessments are shown as separate line item(s) in addition to the normal premium amount on the "Declaration Page" of the property insurance premium notice. The Declaration Page names the policyholder, describes the property or liability to be insured, the type of coverage, and policy limits. Due to limited space on the Declaration Page, some insurance companies may include a supplemental schedule that itemizes the LA Citizens assessments.

Louisiana Citizens assessment line item charges may include any or all of the following (your insurer's description may vary slightly from the references below):

- Louisiana Citizens FAIR Plan Regular Assessment Recoupment Surcharge
- Louisiana Citizens Coastal Plan Regular Assessment Recoupment Surcharge

A Revenue Information Bulletin (RIB) is issued under the authority of LAC 61:III.101(D). A RIB is an informal statement of information issued for the public and employees that is general in nature. A RIB does not have the force and effect of law and is not binding on the public or the Department.

- Louisiana Citizens FAIR Plan Emergency Assessment
- Louisiana Citizens Market Equalization Charge

To determine the amount of the credit that the business can claim, add the charges for these line items together. If only one of the line items appears on your insurance bill, then the amount on that line is the amount of the credit.

This is *not* a credit for the total amount due on your insurance bill. Do *not* add the insurance premium to the LA Citizens assessments. Only claim the amount of the LA Citizens assessments.

You must have actually paid these amounts to claim the credit. It does not matter if you directly paid the insurance company or if the payment was made on your behalf through an escrow company.

When the Credit Can Be Claimed

The credit is claimed for the year paid regardless of the due date of your premium. Citizens assessments paid before January 1, 2007 can be claimed on the first income tax return with an original or extended return due date in 2007. Only LA Citizens assessments actually paid in 2005 or 2006 will be allowed as a credit on a 2006 income tax return. If you paid multiple LA Citizens assessments, for example, one in December 2005 and another in December 2006, you are entitled to claim a credit for both payments on your 2006 income tax return.

LA Citizens assessments paid in 2007 can only be claimed on the first income tax return due in 2008.

Required Documentation for All Businesses and Corporations Claiming the Credit

A copy of the property insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments and proof of payment for each insured property must be attached to all paper income tax returns. If the insurance Declaration Page had a supplemental page itemizing the LA Citizens assessments, attach both a copy of the Declaration Page and the supplemental page to your income tax return. A substitute document issued by your insurance company that contains the line item LA Citizens assessments will also be accepted if you did not keep your original declaration page.

Documents that will be accepted as proof that you actually paid the LA Citizens assessments include, but are not limited to, cancelled checks, an image of a check, or an itemized escrow statement.

If you file electronically, retain the Declaration Page that shows the separate line item charges for the LA Citizens assessments and proof of payment for 4 years in case of audit. If the insurance Declaration Page had a supplemental page itemizing the LA Citizens assessments, retain both the Declaration Page and the supplemental page for 4 years in case of audit.

If you have your return prepared by a paid preparer, such as a national tax service firm or individual tax practitioner, you must bring a copy of the property insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments and proof of payment to the preparer. Preparers are not authorized to claim this credit on your behalf without this Declaration Page. If you are filing electronically, your preparer must keep a copy of this Declaration Page on file. If the insurance Declaration Page had a supplemental page itemizing the LA Citizens assessments, bring both a copy of the Declaration Page and the supplemental page to your tax preparer.

What Form to Use to Claim the Credit

The form that you will use to claim the credit will depend on whether the business is required to file a Louisiana income tax return.

If you had more than one property for which you paid the LA Citizens assessments before January 1, 2007 you must also prepare Form R-INS Supplement. You must attach the required documentation, including proof of payment, for each property listed when you file. If you claim this credit you should retain the required documentation for each property listed for 4 years in case of audit.

Corporations That Are Not Required to File a 2006 Louisiana Income Tax Return— Exempt Organizations

Exempt organizations and corporations such as churches, not-for profit hospitals, charities, 501(c)(3) organizations, community foundations, banks that pay the local shares tax and all other corporations exempt from the Louisiana corporate income tax under R.S. 47:287.501 that paid the LA Citizens assessments will be eligible for the LA Citizens credit.

If the exempt organization is not required to file an income tax return, it should file a claim for refund on the special form provided by the Department of Revenue. This form is called the "Request for Refund of Louisiana Citizens Property Insurance Corporation (LA Citizens) Assessment," Form R-620INS, which is available at the Department's statewide offices and on the Department's website at www.revenue.louisiana.gov.

Corporations That Must File a 2006 Louisiana Income Tax Return

Corporations that must file a Louisiana corporate income tax return and are entitled to claim this credit will use the standard Louisiana Corporation Income and Franchise Tax, the CIFT-620, and will claim the credit on Line 9 of Schedule RC. This line is entitled "Other Credits." Write "LA Citizens Assessments" in the space provided.

Corporations That File on a Fiscal Year Basis

Fiscal year filers that are filing a 2005 Louisiana Corporation Income and Franchise Tax return with an original or extended due date that is on or after January 1, 2007 will claim the credit on the 2005 CIFT-620, and will claim the credit on Line 8 of Schedule RC. This line is entitled "Other Refundable Credit." Write "LA Citizens Assessments" in the space provided.

Sole Proprietors

If the business that paid the LA Citizens assessments is a sole proprietorship that files a Louisiana Resident income tax return, the IT 540, the credit should be claimed on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessments" in the space provided.

If the business that paid the LA Citizens assessments is a sole proprietorship that files a Louisiana Nonresident and Part-year Resident income tax return, the IT 540B, the credit should be claimed on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessments" in the space provided.

S Corporations

If the business that paid the LA Citizens assessments operated as an S corporation during 2006, the LA Citizen's credit must be used at the corporation level *unless* the S corporation makes the annual flow through election provided for in R.S. 47:1675(G)(2)(b).

An S corporation that is entitled to the LA Citizens credit may elect to flow through the entire amount of the credit to its shareholders. The election may be made separately for each credit received by the S corporation and is made annually. There is no special form required to make the election. The election is made when the S corporation does not claim the credit on the CIFT-620, but instead allows each shareholder to claim that shareholder's share of the credit on their own income tax return. Once made, the election may not be revoked for that tax year.

The S Corporation that elects to flow through any credits, including the LA Citizens credit, must prepare and distribute to each shareholder a schedule detailing the shareholder's share of each credit for which the election is made. Shareholders claiming the credit should attach a copy of this schedule to the income tax return on which the credit is claimed. A corporate shareholder will claim the credit as set forth in this RIB. An individual shareholder will claim the credit as set forth in Revenue Information Bulletin (RIB) 07-005.

Business Entities Not Subject to Louisiana Income Tax—Flow Through of the Credit

If the business that paid the LA Citizens assessments is an entity not subject to Louisiana income tax, such as a partnership, the LA Citizens credit will flow through to partners or members of the entity as provided in the operating agreement. In the absence of an operating agreement or if the operating agreement is silent with respect to the allocation of tax items, the LA Citizens credit will flow through to each partner or member in accordance to the partner or member's ownership interest in the entity. A corporate partner will claim the credit as set forth in this RIB. An individual partner or member will claim the credit as set forth in RIB 07-005.

If the business entity has a different tax-year end than the partner or member, the partner or member will claim the LA Citizens credit in the same tax year in which the partner or member is required to report any income or loss from the entity.

Businesses not subject to Louisiana income tax must prepare and distribute to each partner or member a schedule detailing the partner or member's share of each credit earned including any LA Citizens assessment credit. Partners or members claiming the credit should attach a copy of this schedule to the income tax return on which the credit is claimed.

Insurance Companies

Insurers that paid the 2005 regular assessment levied by the Louisiana Citizens Property Insurance Corporation before January 1, 2007 and did not pass on the entire assessment to their policyholders are eligible to receive a credit for the amount of the regular assessment that they did **not** recoup.

Insurers that paid the 2005 regular assessment and levied a recoupment surcharge on their policyholders to recoup the LA Citizens regular assessment are not entitled to receive a credit for the amount of the assessment they recouped.

Eligible insurers that are not subject to Louisiana income tax should claim the credit on Form R-620INS. To claim credit for the LA Citizens regular assessment, in its entirety or for that portion not recouped, the insurer must provide a copy of the LA Citizens regular assessment payment notice and proof of payment. In addition, the insurer must provide a certified statement and audited summary of the full and final amount recouped from the insurer's

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policyholders. A copy of the certified statement, proof of payment, and audited summary must also be filed with the Louisiana Department of Insurance, Office of Property and Casualty.

¹ **Revision History:** This Revenue Information Bulletin was initially issued on January 17, 2007. Additional information regarding the emergency assessments, market equalization charge and how to claim LA Citizens assessments paid before January 1, 2007 was added on January 25, 2007.



February 21, 2007

Revenue Offices

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Location

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Lake Charles, LA 70629-0001

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(337) 491-2504

Alexandria

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900 Murray Street
Room B 100
Alexandria, LA 71309-7661

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Phone Number

(318) 487-5333

Monroe

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Monroe, La. 71201-7338

Mailing Address

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Phone Number

(318) 362-3151

Baton Rouge

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8549 United Plaza Blvd.
Suite 200
Baton Rouge, LA 70809-2251

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(225) 922-2300

New Orleans

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1555 Poydras St. Suite 2100
New Orleans, LA 70112-3707

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(504) 568-5233

Dallas

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4100 Spring Valley Road
Suite 315
Dallas, TX 75244-3800

Mailing Address

Same

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(972) 701-9682

New Orleans - Covington Satellite Office

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1305 North Florida Avenue
Covington, LA 70433

Mailing Address

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Phone Number

(985) 893-6277

Houston

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5177 Richmond Avenue
Suite 325

Shreveport

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1525 Fairfield Ave.
Room 630

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Thibodaux
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Telephone Numbers

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New Business Registration (225) 219-7318

Taxpayer Services - Assistance Information

Contact Center:

***Compliance (225) 219-7462
***Individual Income (225) 219-0102
Application and Business Registration (225) 219-7318
Taxpayer Access Point (TAP) (225) 219-7318
Contractor Registration (225) 219-7356
Corporation Income & Franchise Tax (225) 219-0067
Excise Taxes (225) 219-7656
Louisiana Truck Center (225) 922-0135
Inheritance and Gift Taxes (225) 219-0067
Automated Personal Income Refund Inquiry (225) 922-3270
1-888-829-3071
(toll free)
Sales Tax (225) 219-7356
Severance Tax (225) 219-7656
Withholding Tax (225) 219-7318
General Information (225) 219-2448
Tax Forms for Income Tax (225) 219-2113
Telecommunications Device for Deaf (TDD) (225) 219-2114
Alcohol and Tobacco Control (225) 925-4041

Assistant Secretaries

Office of Legal Affairs -- Legal Division, Policy Services Division (225) 219-2467
Group I -- Central File Services, Return Processing Center, Post Processing Services, Support Services (225) 219-2152
Group II -- Collection, Severance, Taxpayer Services (225) 219-2150
Group III -- Field Audit Services, Office Audit, District Offices, Regional Offices, Special Investigations (225) 219-2157
Office of Alcohol & Tobacco Control Administrative Enforcement (225) 925-4041

Collection Division

Director (225) 219-2244
Bankruptcy Section (225) 219-2234
Enforcement/Special Collections (225) 219-7448
Support Section (225) 219-7448
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Controller's Division

Controller's Division (225) 219-2300
.

Field Offices and Other Affiliates

Alexandria, LA (318) 487-5333
Baton Rouge, LA (225) 922-2300
Dallas, TX (972) 701-9682
Houston, TX (713) 629-8335
Lafayette, LA (337) 262-5455
Lake Charles, LA (337) 491-2504
Monroe, LA (318) 362-3151
New Orleans, LA (504) 568-5233
New York, NY (973) 492-1120
Shreveport, LA (318) 676-7505
Thibodaux, LA (985) 447-0976
Louisiana Tax Commission (225) 925-7830
Louisiana Tax Free Shopping Commission (504) 568-5323
Charitable Gaming (225) 925-1835
1-800-562-9235
(toll-free)
.

Field Audit Services Division

Field Audit Services Division (225) 219-2720
.

Human Resources Division

Human Resources (Personnel) (225) 219-2020
.

Information Technology Division

Information Technology Division (225) 219-2600
.

Internal Audit Division

Internal Audit Division (225) 219-2750

Legal Division

Legal Division (225) 219-2080

Management Information Systems Section

Management Information Systems Section (225) 219-2488

Office Audit Division

Office Audit Division (225) 219-2270

Policy Services Division

Policy Services Division (225) 219-2780

Post Processing Division

Post Processing Division (225) 219-2520

Public Affairs Division

Public Affairs Division (225) 219-2760

Secretary, Office of the

Secretary, Office of the (225) 219-2700
Deputy Secretary (225) 219-2710

Severance Tax Division

Taxpayer Assistance & Information (225) 219-7656
Director (225) 219-2200

Special Investigations Division

Director (225) 219-2280

Support Services Division

Director (225) 219-2100

Taxpayer Services Division

Director (225) 219-2200

Asst. Director - Excise, Central Registration, Severance,
Withholding (225) 219-2200

Asst. Director - Individual Income, Inheritance and Gift,
Corporate Taxes (225) 219-2200

Asst. Director - Sales Tax, Contractor Registration (225) 219-2200

Undersecretary

Undersecretary -- Controller's, Human Resources,
Information Services, Internal Audit (225) 219-2710

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Citizen's Credit Q & A

1 The La Citizens credit, is it for premiums paid after July 1, 2006 only?

No, a credit can be claimed for a 2006 period return filed in 2007 for any assessment incurred and paid prior to January 1, 2007.

2 If paid before July, 2006, is it ineligible OR does it come into play in 2007?

See # 1 above.

3 Can rental property insurance Citizens credits on a 1040 be claimed on the personal return or is it considered a business credit subject to a business computation?

If the rental property income is being reported on federal Form 1040, Schedule E, the credit can be claimed on the Louisiana individual return. Because it is business property, one should attach proof of payment for the business property(ies) along with the Declaration Page(s) for all properties.

4 If you don't see a credit on the declaration page or insurance papers, does that mean there is not one to claim?

This seems to be a true statement as some insurance companies did not pass the charge on to its customers. Also, the LDR understands that the Department of Insurance would allow a minimum of one line on the Declaration Page to state the assessment if space was a consideration.

5 If we are to attach a copy of the Declaration page from the insurance company to our client's state tax return for a refund of premiums paid for the Louisiana Fair Plan, does that preclude e-filing altogether for 2006 returns?

No, much like the ERO is required to keep certain information such as military orders etc., the ERO must keep a copy of the Declaration Page as part of the information maintained on each taxpayer who files with the ERO.

6 Are non-individual filers required to attach a canceled check or other proof of payment with the Declaration Page?

Yes, all other filers, corporations, public entities, non-profits etc. are required to submit proof of payment.

- 7. LLCs with only Louisiana resident members are not required to file La partnership returns. Is there a form that can be used to claim the credit or do we have to file the partnership return in order to claim the credit?**

No, the LLC in this instance would follow the requirement set forth in RIB 06-007 which states: If the business that paid the LA Citizens assessments is an entity not subject to Louisiana income tax, such as a partnership, the LA Citizens credit will flow through to partners or members of the entity as provided in the operating agreement. In the absence of an operating agreement or if the operating agreement is silent with respect to the allocation of tax items, the LA Citizens credit will flow through to each partner or member in accordance to the partner or member's ownership interest in the entity.

- 8 Assume a corporation has an insurance premium of \$10,000, and Citizens assessments of \$1,000 for a total due of \$11,000 due on October 1, 2006. They pay 50% down of \$5,500 and the balance in 5 installments of \$1,100. At 12/31/06 they will have paid in \$7,700. How do we calculate the credit and what do we need to attach?**

If you were assessed prior to January 1, 2007, and make periodic payments to your insurance company (e.g. monthly or quarterly) you may claim the credit in 2007 if the first periodic payment was made prior to January 1, 2007.

- 9 Does this credit apply to rental property? The full amount is being deducted on the federal Form 1040, Schedule E. Do you get both the deduction and the credit?**

Yes, if you, as an individual, own rental property and the income flows to federal Form 1040, Schedule E, you may claim the credit on your Louisiana return provided you attach the appropriate proof(s) of payment and Declaration Page(s). Also, there is no requirement to increase your Federal Adjusted Gross Income (AGI) reported to Louisiana by removing the expense associated with the assessment.

- 10 What should be done in situations where the policy premium is paid over a period of months, say 9 months average, and that period overlaps the year-end?**

See number 8 above.

- 11 Has anyone considered how to handle the LA Insurance Credit in relation to the federal income tax return? Is the 2006 credit for insurance payments made in 2006 considered a 2006 tax paid for the Schedule A deduction? In our software, it is not going to the Schedule A. I have just done a return with a balance due for 2006 that is \$400 less than what would have been owed because of the tax credits. Also, will the DOR report the refunds for credits as a State Tax Refund in 2007?**

The Department cannot express an opinion as to whether or not the Citizens assessment can be claimed on Form 1040 Schedule A as an itemized deduction. You should obtain either a ruling or informal advice from the IRS. As for the Department's 1099 reporting next year, if a refund resulted that meets the 1099G reporting requirements, then yes, the taxpayer will receive a 1099G and the IRS will be notified as provided under federal law.

12 There are several owners of real estate and the policy lists one name, et al. How will co-owners receive credit in this instance?

Again, the answer to this question will be driven by RIB 06-007. Depending upon the entity that owns the property (partnership, etc) one should follow the provisions of the RIB and the credit will flow through based upon any operating agreement or in the absence thereof, the ownership interest of the owner's of the real property. See number 20 below for information regarding documentation.

13 Non Louisiana residents may own property in Louisiana and have a Citizens assessment on their insurance policy. How do they claim credit?

It is assumed here that this person/entity is not required to file a Louisiana income tax return. That being the case, they would use either form 540-INS or 620-INS.

14 Certain policies written by Lloyds do not separate Citizens amounts on declaration page of policy? How do they determine Citizens amount? Will LDR accept letter from agent?

First, if not listed, then the amount may not have been assessed. Again, it is the understanding of the LDR, that the Department of Insurance required all insurers to state the amount of the assessment (at least in one line) on the Declaration Page. Also remember that the assessment may not appear until after January 1, 2007, thus it would be claimed the following period. If, in the event, the amount was assessed but not included on the Declaration Page, the Department will accept a letter from the insurer stating such.

15 Can a statement from your insurance agent (not the company) qualify as proof of payment?

Yes. RIB 07-005 and 006 both state that substitute documents issued by an insurance company that contain the LA Citizens assessment will also be accepted. This substitute document may come from the insured's insurance agent.

16 What is a preparer supposed to do if they don't get a copy of the Declaration Page or similar statement?

If a preparer does not have the Declaration Page or the substitute document, the preparer cannot substantiate the proper amount that was paid on the LA Citizens assessments. Thus, the preparer should not complete the appropriate line on the credit schedule for Individual income or corporate income and franchise tax. If the credit comes from a pass-through entity, then the preparer can accept the RIB 07-006 required schedule (which details the amount of credit) along with a copy of the Declaration Page(s) and proof of payment.

17 What is a preparer supposed to do if they don't get a copy of proof of payment?

Proof of payment is not required for individuals. It is required for all other entities that claim the credit. As previously stated, the preparer should not complete the appropriate line for the credit.

- 18 The requirement for proof of payment to be given to the paid preparer is only mentioned in the corporate bulletin. Does that mean that it is not required to be given to the paid preparer for individuals?**

See 17 above.

- 19 On page 4 of RIB 07-006, it describes RS 47:1675(G)(2)(b), it sounds like the S corporation makes the election by not claiming the credit. However, the law says the election should be in writing. Which is correct?**

The statute does require that the election pursuant to the allocation or transfer of credit must be made annually and in writing, and that the election may not be revoked

- 20 When the S Corporation or partnership allows the credit to flow through to its owners, there does not appear to be a requirement that a copy of the declaration page (including supplemental pages) and the proof of payment be attached to the schedule given the owner. Does that mean it is not required? All he has to attach to his own return is the schedule?**

For individuals and other legal entities, a copy of the proof of payment, the Declaration Page along with, the allocation schedule from the pass-through legal entity is required to be attached to a paper return. For an individual, who wishes to file electronically, this documentation should be maintained by the ERO. Tax preparers filing electronically prepared returns must be in possession of the documents necessary in order to claim the credit. Taxpayers claiming the credit should possess a "K1" type document that establishes the connectivity between the pass-through entity and its "shareholder/partner/member."

- 21 If an individual receives a credit from an S corporation, it says that the schedule should be attached to the income tax return on which the credit is claimed. If the return is electronically filed, should it be attached?**

See 20 above.

- 22 In the absence of an operating agreement for a limited liability company, the RIB says that the credit should be allocated to each member in accordance with the member's ownership interest in the entity. This is contrary to the normal default for limited liability companies. Usually if there is no operating agreement, items are divided equally among the members.**

The allocation of the credit must be in compliance with the general guidelines. That is, if a member of a partnership owns 20% of the partnership, the amount of credit allowed to the individual is 20% of the assessments paid to Louisiana Citizens. If a limited liability company's members are each designated an equal percentage, then each member receives an equal percentage.

- 23** What if the policy is cancelled? Do you get back part of the Citizens charge or just the basic insurance charge? If you get back part of the Citizens charge in the same year that you paid it, do you just reduce your credit? If you get back part of the Citizens charge in the next year, what do you do?

The LDR will check with the Department of Insurance to determine if any provisions exist if an assessment is refunded back to the "insured" should a policy be cancelled. If, in the event, that an insured is refunded all or part of an assessment and the credit has not yet been claimed, it only seems reasonable that one would reduce any credit claimed to the extent of the refund. Depending upon the answer from the Department of Insurance, the LDR may modify the appropriate tax forms for 2007 should the refund occur in the subsequent year.

- 24** For LLC's- profit and loss percentages can be different from ownership percentages. If the deduction is allocated using the profit and loss percentages, why should the credit be allocated using the ownership percentage? Which ownership percentage do you use? The one they are supposed to have? Or the one they have using their current capital accounts-which could be different due to unequal distributions?

If the membership or partnership agreements provides for an allocation of tax items that is different than the ownership interest, that is fine, use the allocation provisions of the membership agreement. If there is no membership agreement or it is silent, then the credit must flow through based on ownership interest. If it is the silence or lack of a membership agreement that is causing a perceived "misallocation" of the credit, the LLC might want to consider adopting or amending the agreement to address the credit to avoid the statutory default to membership interest.



Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment

INDIVIDUAL INCOME TAX

FILING PERIOD 2006

Your first name	Initial	Last name	Suffix
If joint return, spouse's name	Initial	Last name	Suffix
Present home address (number and street including apartment number or rural route)			
City, town, or APO		State	ZIP

										Your Social Security Number
										Spouse's Social Security Number

USE THIS FORM ONLY IF YOU ARE NOT REQUIRED TO FILE A LOUISIANA INCOME TAX RETURN.

Before You Begin

The Louisiana Legislature enacted R.S. 47:6025 which allows a refundable tax credit to reimburse you if you paid, prior to **January 1, 2007**, an assessment to fund the Louisiana Citizens Property Insurance Program as a part of your homeowner's insurance premium. You may use this form to claim this refund **ONLY** if you are not required to file a Louisiana income tax return for 2006.

Below list the name of your insurance company and the policy number, and the amount of the assessment paid. If you have more than one property that has been assessed, please complete Form R-INS Supplement and attach it to this return. For Line 1 below, enter the total amount of your assessment for your first property. For Line 2 below, enter the sum of remaining assessments for all other properties you own that incurred an assessment.

You must attach a copy or copies of your Insurance Declaration Page to this return. Please see instructions on the other side of this form.

1 Address of Property 1 _____
 Insurance Company _____
 Policy Number _____

Amount of Assessment → .

2 Total amount of additional assessment(s) paid on other properties you own. Attach Form R-INS Supplement. → .

REFUND

3 Add the assessment amounts on Lines 1 and 2. Print the result here. → .

I declare that I have examined this return, and to the best of my knowledge, it is true and complete. Declaration of paid preparer is based on all available information. I also consent that the Louisiana Department of Revenue may contact my insurance company/companies to verify the amount of the Louisiana Citizens Property Insurance Corporation assessment paid, and I further direct my insurance company/companies to provide the Citizens Insurance Assessment information to the Louisiana Department of Revenue upon request.

Your signature	Date	Signature of paid preparer other than taxpayer	
Spouse's signature (if filing jointly, both must sign.)	Date	Telephone number of paid preparer ()	Date



Area code and daytime telephone number

MAIL TO:
 Louisiana Department of Revenue
 P. O. Box 3576
 Baton Rouge, LA 70821-3576

6765



**Instructions for Preparing Your 2006
Louisiana Request for Refund of Louisiana
Citizens Property Insurance Corporation
Assessment (R-540INS)**

ABOUT THIS FORM

The return has been designed for electronic scanning, which permits faster processing with fewer errors. In order to avoid unnecessary delays caused by manual processing, taxpayers should follow the guidelines listed below:

1. You may file this form to claim your refund of the Louisiana Citizens Property Insurance Corporation assessment(s) that you paid during calendar year 2006 only if you are not required to and do not file a Louisiana income tax return.
2. Print amounts only on those lines that are applicable.
3. Use only a pen with black ink.
4. Because this form is read by a machine, please print your numbers **inside the boxes** like this:

1	2	3	4
---	---	---	---

 .

00

5. All numbers should be rounded to the nearest dollar.
6. Numbers should NOT be printed over the pre-printed zeros, in the boxes on the far right, which are used to designate cents (.00).
7. To avoid any delay in processing, you can only use this form for 2006.
8. Failure to attach the Insurance Declaration Page(s) will result in this form being returned to you.

Name(s), address, and Social Security Number(s) – Print your name(s), address, and Social Security Number(s) in the space provided. If married, please print Social Security Numbers for both you and your spouse.

Information concerning the assessment amounts and Insurance Declaration Page – The amount of this assessment may appear as separate line items on what is referred to as the “**Declaration Page**” of your property insurance premium notice. The Declaration Page names the policyholder, describes the property or liability to be insured, type of coverage, and policy limits. Depending on the location of the insured property, these line item charges may be listed as: Louisiana Citizens FAIR Plan **REGULAR** Assessment, Louisiana Citizens FAIR Plan **EMERGENCY** Assessment, Louisiana Citizens Coastal Plan **REGULAR** Assessment, and/or Louisiana Citizens Coastal Plan **EMERGENCY** Assessment. Your total allowable credit is the sum of these amounts, if they are shown on the Declaration Page.

Line 1 – Print the address of the property, the insurance company’s name, and the policy number in the spaces provided. Print the amount of the paid assessment in the appropriate boxes.

Line 2 – **Do you own more than one property that incurred an assessment?**

If you had more than one property during 2006 that incurred an assessment, prepare and attach Form R-INS Supplement. You must attach the Declaration Page for each property listed. Print on Line 2 the total of the additional assessments listed on the Form R-INS Supplement.

Line 3 – Add the assessment amounts that appear on Lines 1 and 2.

Sign and date the return. Mail to:

Louisiana Department of Revenue
P. O. Box 3576
Baton Rouge, LA 70821-3576.





Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment

CORPORATE INCOME TAX

FILING PERIOD 2006

Form with fields for Legal Name, Trade Name, Address, City, State, and ZIP.

Revenue Account Number grid (10 boxes).

If you DO NOT have a Louisiana Revenue Account Number, mark this box.

USE THIS FORM ONLY IF YOU ARE NOT REQUIRED TO FILE A LOUISIANA CORPORATE INCOME TAX RETURN.

Before You Begin

The Louisiana Legislature enacted R.S. 47:6025 which allows a refundable tax credit to reimburse a corporation that paid, before January 1, 2007, an assessment to fund the Louisiana Citizens Property Insurance Program as a part of its property insurance premium.

Below list the name of your insurance company and the policy number, and the amount of the assessment paid. If you have more than one property that has been assessed, please complete Form R-INS Supplement and attach it to this return.

You must attach a copy or copies of your Insurance Declaration Page to this return and provide proof of payment. Please see instructions on the other side of this form.

1 Physical Address of Property:

Form with fields for Address 1, Address 2, City, ZIP, Insurance Company, and Policy Number.

Amount of Assessment grid (5 boxes) followed by .00.

2 Total amount of additional assessment(s) paid per attached schedule(s) R-INS Supplement → [5 boxes] .00

REFUND

3 Add the assessment amounts on Lines 1 and 2. Print the result here. → [5 boxes] .00

Under the penalties of perjury, I declare that I have examined this return, including all accompanying documents, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature and Date fields for preparer and spouse.



Area code and daytime telephone number grid (10 boxes).

MAIL TO: Louisiana Department of Revenue P. O. Box 3576 Baton Rouge, LA 70821-3576

2760



**Instructions for Preparing Your 2006
Louisiana Request for Refund of Louisiana
Citizens Property Insurance Corporation
Assessment (R-620INS)**

ABOUT THIS FORM

The return has been designed for electronic scanning, which permits faster processing with fewer errors. In order to avoid unnecessary delays caused by manual processing, taxpayers should follow the guidelines listed below:

1. A corporation may file this form to claim its refund of the Louisiana Citizens Property Insurance Corporation assessment(s) that was paid during calendar year 2006 only if it is not required to, and does not file, a Louisiana corporate income tax return. Generally, organizations described in either sections 401(a) or 501 of the Internal Revenue Code are exempt from the Louisiana corporate income tax. Other certain entities are also exempt from Louisiana corporate income tax. Please see Revenue Information Bulletin (RIB) 07-006 on the Department's website for additional information.
2. Print amounts only on those lines that are applicable.
3. Use only a pen with black ink.
4. Because this form is read by a machine, please print your numbers **inside the boxes** like this:

1	2	3	4	.	00
---	---	---	---	---	----
5. All numbers should be rounded to the nearest dollar.
6. Numbers should NOT be printed over the pre-printed zeros, in the boxes on the far right, which are used to designate cents (.00).
7. To avoid any delay in processing, you can only use this form for 2006.
8. Failure to attach the Insurance Declaration Page(s) will result in this form being returned to you. Documents that will be accepted as proof that you actually paid the LA Citizens assessments include, but are not limited to, cancelled checks, an image of a check, or an itemized escrow statement.
9. Failure to attach proof of payment will result in this form being returned to you.

Name, address, and Revenue Account Number – Print the corporate legal name, address, and Revenue Account Number in the space provided. If the corporation does not have a Louisiana Revenue Account Number, mark the box below the account number field.

Information concerning the assessment amounts and Insurance Declaration Page – The amount of this assessment may appear as separate line items on what is referred to as the "Declaration Page" of your property insurance premium notice. The Declaration Page names the policyholder, describes the property or liability to be insured, type of coverage, and policy limits. Depending on the location of the insured property, these line item charges may be listed as: Louisiana Citizens FAIR Plan **REGULAR** Assessment, Louisiana Citizens FAIR Plan **EMERGENCY** Assessment, Louisiana Citizens Coastal Plan **REGULAR** Assessment, and/or Louisiana Citizens Coastal Plan **EMERGENCY** Assessment. Your total allowable credit is the sum of these amounts, if they are shown on the Declaration Page.

Line 1 – Print the address of the property, the insurance company's name, and the policy number in the spaces provided. Print the amount of the paid assessment in the appropriate boxes.

Line 2 – Do you own more than one property that incurred an assessment?

If you had more than one property during 2006 that incurred an assessment, prepare and attach Form R-INS Supplement. You must attach the Declaration Page for each property listed. Print on Line 2 the total of the additional assessments listed on the Form R-INS Supplement.

Line 3 – Add the assessment amounts that appear on Lines 1 and 2.

Sign and date the return. Mail to:

Louisiana Department of Revenue
P. O. Box 3576
Baton Rouge, LA 70821-3576.





Supplement Schedule for Refund of Louisiana Citizens Property Insurance Assessment

If you have more than one property that incurred a Citizens assessment, use this form to identify those properties. You may use this form as an attachment to the following Louisiana income tax forms: Form IT-540, Form IT-540B, Form R-540INS, Form R-620INS, and Form CIFT-620. If you are using this form as an attachment to Form IT-540, Form IT-540B, or CIFT-620 please list ALL properties for which a Citizens assessment was incurred. If you are using this form as an attachment to forms R-540INS or R-620INS, please begin with the second insured property. The Declaration page supporting the credit claimed for each property must be attached in order to receive the credit. On Line 5, print the sum of the assessments claimed on this page.

1 Physical Address of Property:

Address 1 _____
Address 2 _____
City _____ ZIP _____
Insurance Company _____
Policy Number _____
Amount of Assessment _____ .00

2 Physical Address of Property:

Address 1 _____
Address 2 _____
City _____ ZIP _____
Insurance Company _____
Policy Number _____
Amount of Assessment _____ .00

3 Physical Address of Property:

Address 1 _____
Address 2 _____
City _____ ZIP _____
Insurance Company _____
Policy Number _____
Amount of Assessment _____ .00

4 Physical Address of Property:

Address 1 _____
Address 2 _____
City _____ ZIP _____
Insurance Company _____
Policy Number _____
Amount of Assessment _____ .00

5 Sum of assessments claimed on this page..... .00





February 23, 2007

Contact Us

Home : Contact Us

Protect your Privacy!

Email is not a secure environment, so never send confidential information (i.e. Social Security numbers, tax account numbers) through Email. To protect your privacy, we will not send sensitive or confidential information to anyone by means of Email.

If you need to contact us by phone, we have provided a list of telephone numbers under About Us to help you find the appropriate party.

If you need to visit a Revenue office, we have provided a list of offices under About Us to help you find the office nearest to you.

If you are experiencing technical problems with the site then you may want to look over our Technical Help under the FAQ section.

The Louisiana Department of Revenue is dedicated to helping the taxpayer in any way possible. We want to connect you to the people that can answer your tax questions.

Billing Notices and Audit Inquiries

Tax Questions

Business Taxpayer Access Point(TAP) Inquiries

NOTE: If you need assistance with your login, password, or authorization code, please call (225) 219-7318, option 0 for assistance

Web Site Technical Questions, Comments, Or Suggestions

Billing Notices and Audit Inquiries

(*) denotes required field

* Region closest to you:

* Full Name:

* Email Address:

Address1:

Address2:

City:

State:

Zip Code:

Province:

Country:

Phone Number:

