

**Nonresident Worksheet and Instructions to Compute
Modified Federal Income Tax Deduction for
Line 12E of Form IT-540B.**

Last year, many taxpayers received an "Advance Payment" from the Internal Revenue Service as a result of Congress passing, and the President signing into law, the Economic Growth and Tax Relief Reconciliation Act of 2001. This law directed the U.S. Treasury to issue to eligible taxpayers an up-front payment of a **tax credit** that would normally have been taken when filing a federal return in 2002. Because this is a **reduction of federal income tax** and Louisiana law allows a deduction for federal income tax, **the federal tax deduction for Louisiana would normally be reduced**. If this deduction goes down, then the amount of Louisiana income subject to state tax increases, causing your Louisiana income tax to rise.

To avoid any state tax burden caused by the passage of Federal Income Tax Relief, Governor Foster and the members of the Louisiana Legislature requested the Department to seek permission from the Louisiana Board of Tax Appeals to eliminate the Louisiana tax effect of any advance federal payments you may have received during the 2001 tax year. To determine your deduction for Line 12E of the Louisiana Nonresident Income Tax Return (Form IT-540B), please complete the schedule below:

IMPORTANT: For many Louisiana taxpayers, Line 2 on the schedule below will be zero because the taxpayer received the correct amount of advance payment (your tax credit) from the IRS last year. Without the tax relief granted by the state, the federal income tax deduction on Line 12E of the Louisiana Nonresident Income Tax Return (Form IT-540B) **would be decreased** by the amount of any federal advance payment received causing you to pay more Louisiana income tax.

IMPORTANT: If you filed Federal Form 1040EZ, print the amount from Line 11 of Form 1040EZ on Line 12E of Louisiana Form IT-540B. If you used Federal Telefile to file your federal tax return, enter the amount from the right hand column on Line K of the Federal Telefile Worksheet on Line 12E of Louisiana Form IT-540B.

- 1) Enter the amount of your federal tax liability. This amount is taken from Federal Form 1040A, Line 34, OR Federal Form 1040, Line 52, less the amount from Federal Form 4972 included on Line 40.

Optional deduction - The Federal Tax Deduction computed above may be increased by the amount of foreign tax credit claimed on Federal Form 1040, Line 43. If this additional deduction is elected, no special allowable credit may be claimed on Line 15 of Form IT-540B.

- 2) Enter the amount of the RATE REDUCTION CREDIT computed on your federal return. This amount is taken from Federal Form 1040A, Line 30, OR Federal Form 1040, Line 47.

Add Lines 1 and 2 and print result on Line 12E of the Louisiana Nonresident Income Tax Return (Form IT-540B).

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