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MULTISTATE INCOME/FRANCHISE

Louisiana enacts new filing methodology for S corporations

Tax Alert

Overview

On June 20, 2025, Louisiana House Bill 567 ("H.B. 567") was enacted into law. H.B. 567, among other updates, modifies the filing methodology for S corporations to treat them as pass-through entities under state law, similar to how they are treated under federal law. These changes apply to income tax periods beginning on or after January 1, 2026.

This Tax Alert summarizes some of the provisions of H.B. 567.

Filing requirements for S corporations and shareholders

Louisiana previously required S corporations to file and pay income taxes as if the entity was a C corporation. The state also allowed S corporations a corresponding entity-level exclusion of income to the extent that shareholders of the S corporation filed Louisiana income tax returns. H.B. 567 repeals and replaces the filing methodology for S corporations and their shareholders.

The new filing methodology enacted by H.B. 567 is more closely aligned to the general federal filing requirements for S corporations. Effective January 1, 2026, S corporations in Louisiana are no longer subject to an entity level income tax and will instead be required to file an informational return which reports income attributable to the state and to shareholders.

Shareholders of an S corporation must account for their appropriate share of income from the S corporation in their respective state tax filings, and shareholders will be individually liable for any taxes on said income. Credits earned by the S corporation will also flow through to the shareholders of the S corporation.

H.B. 567 allows an S corporation to file a composite return and make composite payments on behalf of any or all of its nonresident shareholders. This composite filing fulfills a nonresident shareholder's Louisiana filing requirement as long as their only income from Louisiana sources is the shareholder's share of the S corporation's income attributable to Louisiana for the taxable period.

Additionally, H.B. 567 reaffirms that an S corporation may make a pass-through entity tax (PTET) election in the state.

Other provisions

If a resident or nonresident shareholder fails to timely pay their respective Louisiana income taxes on their share of S corporation income, H.B. 567 allows the Louisiana Department of Revenue to collect the unpaid taxes, including any applicable interest and penalties, directly from the S corporation.

H.B. 567 also establishes specific rules for shareholder basis in the S corporation. This may result in a shareholder's basis for Louisiana purposes differing from their basis for federal purposes. Louisiana basis rules also differ for residents versus nonresidents of the state. These basis differences could result in different treatments of distributions. This analysis may be fact intensive and consultation with tax professionals is recommended.

Get in touch

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