

## Income/Franchise:

### Louisiana: Sourcing Guidance Related to Interest Earned on Retail Installment Contracts

*Case No. 2021 CA 732, Case No. 2021 CA 733, Case No. 2021 CA 734*, La. Ct. App., 1st Cir. (5/9/22). A Louisiana appellate court (Court) considered the proper sourcing methodology for a company in the business of acquiring and servicing retail installment contracts from dealers who sell vehicles to customers on credit. In affirming the previous decision reached by the Louisiana Board of Tax Appeals [see *Case Nos. 9748D, 9749D, 9750D*, La. Bd. of Tax App. (12/10/20) for details on the underlying Louisiana Board of Tax Appeals ruling], the Court determined interest earned from installment contracts entered into in Louisiana must be sourced to Louisiana for sales factor purposes, while the value of the installment contracts must be sourced outside of Louisiana for property factor purposes. Specifically, the Court held:

**URL:** <https://www.la-fcca.org/opiniongrid/opinionpdf/2021%20CA%200732%20Decision%20Appeal.pdf>

**URL:** <https://www.la-fcca.org/opiniongrid/opinionpdf/2021%20CA%200733%20Decision%20Appeal.pdf>

**URL:** <https://www.la-fcca.org/opiniongrid/opinionpdf/2021%20CA%200734%20Decision%20Appeal.pdf>

**URL:**  
[http://labta.louisiana.gov/pdfs/Toyota%20Motor%20Credit%20Corporation%20v.%20Robinson,%20BTA%20Docket%20No.%209748D%20cw%209749D,%209750D%20\(La.%20Bd.%20Tax%20App.%202012-09-20\).pdf](http://labta.louisiana.gov/pdfs/Toyota%20Motor%20Credit%20Corporation%20v.%20Robinson,%20BTA%20Docket%20No.%209748D%20cw%209749D,%209750D%20(La.%20Bd.%20Tax%20App.%202012-09-20).pdf)

1. The interest at issue constituted interest received on customers' notes and accounts and thus should be attributed to Louisiana based on existing statutory law because the vehicle customers are located in Louisiana; and
2. The underlying retail installment contracts should be attributed outside of Louisiana under either the business situs test (i.e., the situs of the notes) as there was no continued use in Louisiana as part of the taxpayer's regular course of business, or in the absence of a situs for the notes, the commercial domicile test would apply and dictate a similar conclusion under the specific facts at issue.

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