
DIGEST

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HB 648 Original

2017 Regular Session

Havard

Abstract: Levies the La. Business Tax on the adjusted tax base of corporate taxpayers and provides for exemptions and administration of the tax.

Present law imposes an income tax on corporations and provides for the collection, computation, administration, and enforcement of the tax. Further imposes a franchise tax on the capital assets of corporations.

Proposed law supercedes present law with respect to taxation on corporations.

Proposed law levies the La. Business Tax on corporations and entities taxed as corporations for federal income tax purposes. The tax shall be levied at the following rates:

- (1) 1.5% on the adjusted tax base of taxpayers with a business income of at least \$500,000, but equal to or less than \$5M.
- (2) 2% on the adjusted tax base of taxpayers with a business income of more than \$5M.

Proposed law defines "business income" to mean federal taxable income. Further provides that business income shall not include any loss carryforwards or carrybacks from other tax periods.

Proposed law defines "adjusted tax base" as business income plus depreciation, dividends, interest, royalties, compensation, and taxes.

Proposed law allows the cost of goods sold to be deducted from the tax base to the extent it was not included in the calculation of the federal taxable income.

Proposed law apportions income to Louisiana using the following calculation:

$$\frac{\text{Property} + \text{Payroll} + \text{Sales}}{3}$$

Therefore, equal weight is given to three factors:

Property factor: $\frac{\text{value of property in Louisiana}}{\text{value of all property}}$

Payroll factor:
$$\frac{\text{total wages paid in state}}{\text{total wages paid everywhere}}$$

Sales factor:
$$\frac{\text{total sales in state}}{\text{total sales everywhere}}$$

Proposed law provides an alternative apportionment method for transportation services, oil and gas transportation, certain insurers, and financial institutions.

Proposed law allows the secretary to authorize an alternate method of apportionment if the taxpayer is able to demonstrate that the apportionment provisions in proposed law do not fairly represent the extent of the taxpayer's business activity in this state.

Proposed law provides that the tax shall not apply to nonprofit educational institutions or nonprofit sports organizations.

Proposed law requires quarterly payment of an entity's estimated tax, with a final tax return due on the day after the last day of the taxpayer's taxable year.

Proposed law authorizes the secretary to require combined reporting and the filing of consolidated or combined returns by related parties.

Proposed law provides that provisions implementing the corporation income tax become inapplicable, inoperable, and of no effect on Jan. 1, 2018. Provides that provisions implementing the corporation franchise tax become inapplicable, inoperable, and of no effect on Jan. 1, 2018.

Proposed law enacts a credit against the tax for the shares tax paid by certain banks and insurance companies.

Effective Jan. 1, 2018.

(Adds R.S. 47:10001-10016)