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## DIGEST

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### CONFERENCE COMMITTEE REPORT DIGEST

**HB 292**

**2021 Regular Session**

**Riser**

#### **Keyword and oneliner of the instrument as it left the House**

TAX/CORP INCOME: Repeals the income tax deduction for federal income taxes paid for purposes of calculating corporation income tax

#### **Report adopts Senate amendments to:**

1. Repeal provisions of present law authorizing certain S corporations to deduct federal income taxes paid on returns.
2. Reduce income tax rates for S corporations that elect to be taxed at the corporate level.
3. Change the applicability provisions of proposed law from taxable periods beginning on or after Jan. 1, 2023, to taxable periods beginning on or after Jan. 1, 2022.
4. Condition the effectiveness of proposed law on the statewide adoption of either House Bill No. 275 or Senate Bill No. 159 of this 2021 R.S. of the Legislature and the enactment of both House Bill No. 278 and Senate Bill No. 161 of this 2021 R.S. of the Legislature.

#### **Report rejects Senate amendments which would have:**

1. Decreased the number of brackets applicable to corporation income tax from 5 brackets to four brackets and reduced the corporation income tax rates.

#### **Report amends the bill to:**

1. Decrease the number of brackets applicable to corporation income tax from 5 brackets to three brackets and reduce the corporation income tax rates.

#### **Digest of the bill as proposed by the Conference Committee**

Present constitution and present law authorize a state deduction for federal income taxes paid for

purposes of computing income taxes for the same period. Present law further authorizes an S corporation that elects to be taxed at the corporate level to claim a federal income tax deduction.

Proposed law repeals the present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating corporation income taxes and repeals the deduction for S corporations that elect to be taxed at the corporate level.

Present law requires the tax to be assessed, levied, collected, and paid on the La. taxable income of every corporation to be computed at the following rates:

- (1) 4% on the first \$25,000 of La. taxable income.
- (2) 5% on La. taxable income above \$25,000 but not in excess of \$50,000.
- (3) 6% on La. taxable income above \$50,000 but not in excess of \$100,000.
- (4) 7% on La. taxable income above \$100,000 but not in excess of \$200,000.
- (5) 8% on all La. taxable income in excess of \$200,000.

Proposed law changes the corporate income tax brackets in present law and reduces the corporate income tax rates in present law as follows:

- (1) 3.5% on the first \$50,000 of La. taxable income.
- (2) 5.5% on La. taxable income above \$50,000 but not in excess of \$150,000.
- (4) 7.5% on all La. taxable income in excess of \$150,000.

Present law provides for the rate of tax on the taxable income of every S corporation that elects to be taxed at the corporate level at the rates of:

- (1) 2% on the first \$25,000 of La. taxable income.
- (2) 4% on La. taxable income above \$25,000 but not in excess of \$100,000.
- (3) 6% on La. taxable income in excess of above \$100,000.

Proposed law reduces the rate of tax on the taxable income of every S corporation that elects to be taxed at the corporate level as follows:

- (1) From 2% to 1.85% on the first \$25,000 of La. taxable income.
- (2) From 4% to 3.5% on La. taxable income above \$25,000 but not in excess of \$100,000.

(3) From 6% to 4.25% on La. taxable income in excess of \$100,000.

Applicable for taxable periods beginning on or after Jan. 1, 2022.

Effective Jan. 1, 2022, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 275 of this 2021 R.S. of the Legislature or the Act which originated as Senate Bill No. 159 of this 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective and if both of the Acts that originated as House Bill No. 278 and Senate Bill No. 161 of this 2021 R.S. of the Legislature are enacted and become law.

(Amends R.S. 47:32(C), 241, 287.12, 287.69, 287.442(B), and 287.732.2(B); Repeals R.S. 47:55(5), 287.79, 287.83, 287.85, and 287.732.2(C))