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## DIGEST

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HB 360 Original

2017 Regular Session

Ivey

**Abstract:** Changes the corporate income tax rate from a graduated schedule of rates dependent on the taxable income of the taxpayer to a flat rate of 6.5% and expands the tax to all "business income" and further authorizes a reduction to a flat 6% if certain conditions are met.

Present law provides that the tax to be assessed, levied, collected, and paid on the La. taxable income of every corporation shall 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 present law by deleting the graduated schedule of rates dependant on the amount of taxable income of the taxpayer in favor of a flat 6.5% rate. Further expands the levy of this tax to "business income" and makes it applicable to business entities such as partnerships.

Present law provides for an exemption from corporate income for partnerships but requires partnerships with members who are not individuals or not residents of La. to file a partnership return of income.

Proposed law changes present law by deleting this exemption thereby making income earned by partnerships subject to the flat business income tax in proposed law.

Present law provides for the filing of composite returns for nonresident partners and members as well as the tax treatment of income earned by partners, partnership computations, distributive shares, and the determination of a partner's interest for purposes of calculating income tax liability.

Proposed law retains present law but clarifies that these provisions are applicable to calculating the tax levied on the *business income* of such entities.

Present law requires that income earned by corporations classified under Subchapter S provisions

of federal law shall be taxed and required to comply with provisions of present law the same as any other corporation if the S corporation had been required to file an income tax return with the I. R. S. as a C corporation for the current and all prior taxable years in accordance with federal law.

Present law provides for an exclusion from corporate income tax for corporations classified as S corporations under federal law for the taxable year. Further provides that in computing La. taxable income, an S corporation may exclude the percentage of its La. net income for the taxable year.

Present law provides for a formula for the calculation of the percentage of La. net income that is not subject to La. corporate income tax.

Proposed law repeals the present law S corporation exclusion thereby making this income subject to the flat income tax levied on business income as provided for in proposed law.

Present law defines "tax table income" for resident individuals means adjusted gross income plus interest on obligations of a state or political subdivision less items such as federal income tax liability, gratuitous loans and grants, excess amounts of personal exemptions and deductions, and amounts deposited into medical and educational savings accounts.

Proposed law retains present law but adds that dividends and distributions from La. corporations shall not be considered "tax table income" for resident individuals.

Applicable to all tax years beginning on and after Jan. 1, 2018.

Proposed law with respect to the reduction in the corporate income tax rate to a flat 6.5% rate shall be effective on Jan. 1, 2018. Proposed law provides for the further reduction of the flat corporate income tax rate from 6.5% to a flat rate of 6% if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. \_\_\_ of the 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R. S. 47:201, 201.1(A)(1), (C)(1), and (D)(1), and 203(A), the heading of Part II-A of Chapter 1 of Subtitle II of Title 47, R.S. 47:287.2, 287.11(A), and 287.12; Adds R.S. 47:293(9)(a)(xviii); Repeals R.S. 47:287.732(B))