HLS 17RS-402 ORIGINAL

2017 Regular Session

HOUSE BILL NO. 370

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BY REPRESENTATIVE IVEY

TAX/CORP INCOME: (Constitutional Amendment) Provides for a flat tax on business income and eliminates the income tax deduction for federal income taxes paid for purposes of calculating the tax liability of taxpayers who file returns on business income

A JOINT RESOLUTION

Proposing to amend Article VII, Section 4(A) of the Constitution of Louisiana, relative to

3 income taxes; to provide with respect to the deductibility of federal income taxes 4 paid for purposes of computing state corporate income taxes; to provide for the rate 5 of corporate income taxes; to provide for applicability; to provide for effectiveness; 6 to provide for submission of the proposed amendment to the electors; and to provide 7 for related matters. 8 Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members 9 elected to each house concurring, that there shall be submitted to the electors of the state of 10 Louisiana, for their approval or rejection in the manner provided by law, a proposal to 11 amend Article VII, Section 4(A) of the Constitution of Louisiana, to read as follows: 12 §4. Income Tax; Severance Tax; Political Subdivisions 13 Section 4.(A) Income Tax. Equal and uniform taxes may be levied on net 14 incomes, and these taxes may be graduated according to the amount of net income 15 of individuals and businesses. However, the state individual and joint income tax 16 schedule of rates and brackets shall never exceed the rates and brackets set forth in 17 Title 47 of the Louisiana Revised Statutes on January 1, 2003. The state income tax 18 levied on taxable business earnings shall be levied at a flat rate which shall be

1 established in law. Federal income taxes paid shall be allowed as a deductible item 2 in computing state individual income taxes for the same period. 3 4 Section 2. Be it further resolved that the provisions of the amendment contained in 5 this Joint Resolution shall become effective on January 1, 2018, and shall be applicable for 6 all tax years beginning on and after January 1, 2018. 7 Section 3. Be it further resolved that this proposed amendment shall be submitted 8 to the electors of the state of Louisiana at the statewide election to be held on October 14, 9 2017. 10 Section 4. Be it further resolved that on the official ballot to be used at the election, 11 there shall be printed a proposition, upon which the electors of the state shall be permitted 12 to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as 13 follows: 14 Do you support an amendment to provide for a flat income tax rate on 15 business earnings in exchange for eliminating the deduction for federal income taxes paid by taxpayers who file state income tax returns on business 16 17 earnings? (January 1, 2018) (Amends Article VII, Section 4(A))

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 370 Original

2017 Regular Session

Ivey

Abstract: Eliminates the deductibility of federal income taxes paid when computing state corporate income taxes and requires a flat business income tax rate.

<u>Present constitution</u> authorizes equal and uniform taxes to be levied on net income. Further authorizes the rates for these taxes to be graduated according to the amount of the taxpayer's net income; however, the state individual and joint income tax schedule of rates and brackets are prohibited from exceeding the rates and brackets as they existed on Jan. 1, 2003.

<u>Present constitution</u> authorizes federal income taxes paid to be allowed as a deductible item in computing state income taxes for the same period.

<u>Proposed constitutional amendment</u> changes <u>present constitution</u> by eliminating the deductibility of federal income taxes paid when computing business income tax liability.

<u>Present law</u> 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.

<u>Proposed constitutional amendment</u> provides that the state income tax levied on business earnings shall be levied at a flat rate which shall be established in law.

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

Provides for submission of the proposed amendment to the voters at the statewide election to be held Oct. 14, 2017.

(Amends Const. Art. VII, §4(A))