HLS 17RS-1369 ORIGINAL

2017 Regular Session

HOUSE BILL NO. 649

1

BY REPRESENTATIVE BROADWATER

TAX/TAXATION: Provides with respect to corporate and individual income taxes

AN ACT

2 To amend and reenact R.S. 47:32(A), 241, 287.12, 287.69, 293(10), 295(B), 300.6(A), and 3 300.7(A) and to repeal R.S. 47:55(5), 287.79, 287.83, 287.85, 287.442(B)(1), 293(4) 4 and (9)(a)(ii), 296.1(B)(3)(c), and 298, relative to income tax; to provide relative to 5 the deductibility of federal income taxes; to repeal deductibility of federal income 6 taxes paid for purposes of calculating individual and corporate income taxes; to 7 reduce the number of corporate income tax rate categories; to reduce certain tax rates 8 for corporate and individual income tax; to provide for the administration of rate 9 reductions; to provide for applicability; to provide for an effective date; and to 10 provide for related matters. 11 Be it enacted by the Legislature of Louisiana: 12 Section 1. R.S. 47:32(A), 241, 287.12, 287.69, 293(10), 295(B), 300.6(A), and 13 300.7(A) are hereby amended and reenacted to read as follows: 14 §32. Rates of tax 15 A. On individuals. The tax to be assessed, levied, collected and paid upon 16 the taxable income of an individual shall be computed at the following rates: 17 (1) Two One percent on that portion of the first twelve thousand five 18 hundred dollars of net income which is in excess of the credits against net income 19 provided for in R.S. 47:79; .

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Louisiana taxable income.

1	(2) Four Three percent on the next thirty-seven thousand five hundred dollars
2	of net income; .
3	(3) Six Five percent on any amount of net income in excess of fifty thousand
4	dollars. of net income.
5	* * *
6	§241. Net income subject to tax
7	The net income of a nonresident individual or a corporation subject to the tax
8	imposed by this Chapter shall be the sum of the net allocable income earned within
9	or derived from sources within this state, as defined in R.S. 47:243, and the net
10	apportionable income derived from sources in this state, as defined in R.S. 47:244,
11	less the amount of federal income taxes attributable to the net allocable income and
12	net apportionable income derived from sources in this state. The amount of federal
13	income taxes to be so deducted shall be that portion of the total federal income tax
14	which is levied with respect to the particular income derived from sources in this
15	state to be computed in accordance with rules and regulations of the collector of
16	revenue. Proper adjustment shall be made for the actual tax rates applying to
17	different classes of income and for all differences in the computation of net income
18	for purposes of federal income taxation as compared to the computation of net
19	income under this Chapter. Where the allocation of the tax is to be based on a ratio
20	of the amount of net income of a particular class, both the numerator and the
21	denominator of the fraction used in determining the ratio shall be computed on the
22	basis that such net income is determined for federal income tax purposes.
23	* * *
24	§287.12. Rates of tax
25	The tax to be assessed, levied, collected, and paid upon the Louisiana taxable
26	income of every corporation shall be computed at the rate of:
27	(1) Four Three percent upon the first twenty-five thousand dollars of

1	(2) Five percent upon the amount of Louisiana taxable income above
2	twenty-five thousand dollars but not in excess of fifty thousand dollars.
3	(3) Six (2) Five percent on the amount of Louisiana taxable income above
4	fifty twenty-five thousand dollars but not in excess of one hundred fifty thousand
5	dollars.
6	(4) Seven percent on the amount of Louisiana taxable income above one
7	hundred thousand dollars but not in excess of two hundred thousand dollars.
8	(5) Eight (3) Seven percent on all Louisiana taxable income in excess of two
9	one hundred fifty thousand dollars.
10	* * *
11	§287.69. Louisiana taxable income defined
12	"Louisiana taxable income" means Louisiana net income, after adjustments;
13	less the federal income tax deduction allowed by R.S. 47:287.85. "After adjustments"
14	means after the application of the net operating loss adjustment allowed by R.S.
15	47:287.86.
16	* * *
17	§293. Definitions
18	The following definitions shall apply throughout this Part, unless the context
19	requires otherwise:
20	* * *
21	(10) "Tax table income", for nonresident individuals, means the amount of
22	Louisiana income, as provided in this Part, allocated and apportioned under the
23	provisions of R.S. 47:241 through 247, plus the total amount of the personal
24	exemptions and deductions already included in the tax tables promulgated by the
25	secretary under authority of R.S. 47:295, less the proportionate amount of the federal
26	income tax liability, excess federal itemized personal deductions, the temporary
27	teacher deduction, the recreation volunteer and volunteer firefighter deduction, the
28	construction code retrofitting deduction, any gratuitous grant, loan, or other benefit
29	directly or indirectly provided to a taxpayer by a hurricane recovery entity if such

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1	benefit was included in federal adjusted gross income, the exclusion provided for in
2	R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by
3	I.R.C. Section 280C, the deduction for net capital gains, and personal exemptions
4	and deductions provided for in R.S. 47:294. The proportionate amount is to be
5	determined by the ratio of Louisiana income to federal adjusted gross income. When
6	federal adjusted gross income is less than Louisiana income, the ratio shall be one
7	hundred percent.
8	* * *
9	§295. Tax imposed on individuals; administration
10	* * *
11	B. The secretary shall establish tax tables that calculate the tax owed by
12	taxpayers based upon where their taxable income falls within a range that shall not
13	exceed two hundred fifty dollars. The secretary shall provide in the tax tables that
14	the combined personal exemption, standard deduction, and other exemption
15	deductions in R.S. 47:294 shall be deducted from the two percent bracket provided
16	in R.S. 47:32(A)(1). If such combined exemptions and deductions exceed the two
17	percent that bracket, the excess shall be deducted from the four percent bracket
18	provided in R.S. 47:32(A)(2). If such combined exemptions and deductions exceed
19	the two and four percent \underline{two} brackets, the excess shall be deducted from the \underline{six}
20	percent bracket provided in R.S. 47:32(A)(3).
21	* * *
22	§300.6. Louisiana taxable income of resident estate or trust
23	A. Definition. "Louisiana taxable income" of a resident estate or trust means
24	the taxable income of the estate or trust determined in accordance with federal law
25	for the same taxable year, as specifically modified by the provisions contained in
26	Subsection B of this Section, less a federal income tax deduction to be computed

following the provisions of R.S. 47:287.83 and 287.85.

1 §300.7. Louisiana taxable income of nonresident estate or trust 2 A. Definition. "Louisiana taxable income" of a nonresident estate or trust means such portion of the taxable income of the nonresident estate or trust 3 determined in accordance with federal law for the same taxable year, as specifically 4 5 modified by the provisions contained in Subsection C of this Section, that was earned 6 within or derived from sources within this state, less a federal income tax deduction 7 to be computed following the provisions of R.S. 47:287.83 and 287.85. 8 9 Section 2. R.S. 47:55(5), 287.79, 287.83, 287.85, 287.442(B)(1), 293(4) and 10 (9)(a)(ii), 296.1(B)(3)(c), and 298 are hereby repealed in their entirety. 11 Section 3. The provisions of this Act shall be applicable for all taxable periods 12 beginning on or after January 1, 2018. 13 Section 4. This Act shall take effect and become operative on January 1, 2018, if 14 the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act 15 which originated as House Bill No. _____ of this 2017 Regular Session of the Legislature 16 is adopted at a statewide election and becomes effective.

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 649 Original

2017 Regular Session

Broadwater

Abstract: Eliminates the federal income tax deduction to individual and corporate income taxes, reduces the individual income tax rates, and reduces the corporate income tax rates.

Present law authorizes the deduction of federal income taxes from individual and corporate income taxes. Present law provides a method to determine the taxable year in which to claim the federal income tax reduction and provides a method for calculating the federal income tax reduction, including federal taxes on exempt income for individual taxpayers. Present law authorizes the secretary of the Dept. of Revenue to establish special withholding tax tables that take into account the federal income tax deduction. Proposed law repeals present law.

Present law provides for a tax to be levied and collected upon the taxable income of an individual at the following rates:

2% on the first \$12,500 of net income. (1)

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CODING: Words in struck through type are deletions from existing law; words underscored are additions.

- (2) 4% on the next \$37,500 of net income.
- (3) 6% on net income in excess of \$50,000.

<u>Proposed law</u> reduces the individual income tax rates as follows:

- (1) <u>From</u> 2% on the first \$12,500 of net income to 1% on the first \$12,500 of net income.
- (2) From 4% on the next \$37,500 of net income to 3% on the next \$37,500 of net income.
- (3) From 6% on net income in excess of \$50,000 to 5% on net income in excess of \$50,000.

<u>Present law</u> requires the secretary of the Dept. of Revenue to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that shall not exceed \$250. Further requires the secretary to provide for the deduction of certain exemptions and deductions from income that falls within certain brackets.

<u>Proposed law</u> retains <u>present law</u> but updates the bracket references in light of changes in proposed law.

<u>Present law</u> provides that a tax be levied and collected on the La. taxable income of every corporation.

Present law provides that the rate of the tax be computed as follows:

- (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 provides that the rate of the tax be computed as follows:

- (1) 3% on the first \$25,000 of La. taxable income.
- (2) 5% on La. taxable income above \$25,000 but not in excess of \$150,000.
- (3) 7% on La. taxable income in excess of \$150,000.

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

Effective Jan. 1, 2018, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. _____ of this 2017 R.S. is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 287.12, 287.69, 293(10), 295(B), 300.6(A), and 300.7(A); Repeals R.S. 47:55(5), 287.79, 287.83, 287.85, 287.442(B)(1), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298)