

2019 Regular Session

HOUSE BILL NO. 31

BY REPRESENTATIVE DEVILLIER

TAX/CORP FRANCHISE: Phases out the corporate franchise tax over a 5-year period

1 AN ACT

2 To amend and reenact R.S. 47:601(A), (B), and (C)(2) and to enact R.S. 47:611(C), relative
3 to the corporate franchise tax; to provide for the rate of the corporate franchise tax;
4 to provide for a reduction and eventual elimination of the corporate franchise tax; to
5 prohibit the levy of an initial tax under certain circumstances; to provide for
6 applicability; to provide for an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:601(A), (B), and (C)(2) are hereby amended and reenacted and
9 R.S. 47:611(C) is hereby enacted to read as follows:

10 §601. Imposition of tax

11 A.(1) Except as provided for in Paragraph (2) of this Subsection, every
12 ~~Every~~ domestic corporation and every foreign corporation, exercising its charter, or
13 qualified to do business or actually doing business in this state, or owning or using
14 any part or all of its capital, plant, or any other property in this state, subject to
15 compliance with all other provisions of law, except as otherwise provided for in this
16 Chapter shall pay an annual tax at the rate of one dollar and fifty cents for each one
17 thousand dollars, or major fraction thereof on the first three hundred thousand dollars
18 of taxable capital and at the rate of three dollars for each one thousand dollars, or
19 major fraction thereof, which exceeds three hundred thousand dollars of taxable

1 capital. Taxable capital shall be determined as hereinafter provided. The tax levied
2 herein is due and payable on any one or all of the following alternative incidents:

3 ~~(1)~~(a) The qualification to carry on or do business in this state or the actual
4 doing of business within this state in a corporate form. The term "doing business"
5 as used herein shall mean and include each and every act, power, right, privilege, or
6 immunity exercised or enjoyed in this state, as an incident to or by virtue of the
7 powers and privileges acquired by the nature of such organizations, as well as, the
8 buying, selling, or procuring of services or property.

9 ~~(2)~~(b) The exercising of a corporation's charter or the continuance of its
10 charter within this state.

11 ~~(3)~~(c) The owning or using any part or all of its capital, plant, or other
12 property in this state whether owned directly or indirectly by or through a
13 partnership, joint venture, or any other business organization of which the domestic
14 or foreign corporation is a related party as defined in R.S. 47:605.1.

15 (2) The tax levied pursuant to the provisions of this Chapter shall be limited
16 to the following percentages of the amount otherwise levied pursuant to the
17 provisions of this Chapter:

18 (a) For taxable years beginning on or after January 1, 2020, and before
19 January 1, 2021, eighty percent.

20 (b) For taxable years beginning on or after January 1, 2021, and before
21 January 1, 2022, sixty percent.

22 (c) For taxable years beginning on or after January 1, 2022, and before
23 January 1, 2023, forty percent.

24 (d) For taxable years beginning on or after January 1, 2023, and before
25 January 1, 2024, twenty percent.

26 (e) For taxable years beginning on or after January 1, 2024, no corporation
27 franchise tax shall be assessed, levied, or collected by the state nor paid by domestic
28 or foreign corporations on taxable capital.

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 31 Original

2019 Regular Session

DeVillier

Abstract: Provides for the phasing out of the corporation franchise tax over a 5-year period beginning in tax year 2020.

Present law (R.S. 47:601 et seq.) establishes the corporation franchise tax which is levied on every domestic and foreign corporation exercising its charter, qualified to do business, or actually doing business in La. Corporate franchise tax is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in Louisiana. Proposed law phases out present law, as more fully explained below.

Present law provides that the tax shall be levied at the following rates:

- (1) \$1.50 per \$1,000 of taxable capital, up to \$300,000.
- (2) \$3 per \$1,000 of taxable capital above \$300,001.

Proposed law retains present law but provides that the amount levied under present law shall be reduced by a cumulative 20% each year beginning Jan. 1, 2020, over the next five years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after Jan. 1, 2024, no corporation franchise tax shall be assessed or paid.

Present law requires every corporation or other entity subject to the franchise tax to pay only an initial tax of \$110 in the first accounting period in which it becomes subject to the tax.

Proposed law retains present law but clarifies that no initial tax shall be levied or collected by the state nor paid by domestic or foreign corporations for taxable years beginning on and after Jan. 1, 2024.

Proposed law applies to all corporate franchise tax periods beginning on and after Jan. 1, 2020.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:601(A), (B), and (C)(2); Adds R.S. 47:611(C))