LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 363** HLS 23RS 111
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 14, 2023 3:49 PM
Author: NELSON
Dept./Agy.: REVENUE
Subject: Corporate Income & Franchise Taxes: Three-year Phase-out
Analyst: Benjamin Vincent

TAX/TAXATION OR -$644,000,000 RV See Note

Phases-out the corporation income and franchise taxes and reduces the amount of exemptions, deductions, and credits that may be claimed to reduce corporate income and franchise tax liability

Proposed law phases-in annual reductions of Corporate Income and Franchise (CIFT) tax rates to zero over four years beginning in taxable year 2024, fully eliminating the taxes in Tax Year 2027. Proposed law additionally phases-in reductions to the value of exemptions, deductions, and credits that may be claimed against the taxes in like manner.

Effective upon adoption of a constitutional amendment in an unspecified bill, and applicable to tax years beginning on or after January 1, 2024.

EXPENDITURES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	($64,000,000)	($210,000,000)	($372,000,000)	($541,000,000)	($600,000,000)	**($1,787,000,000)**
Agy. Self-Gen.	$0	$0	$0	$0	($44,000,000)	**($44,000,000)**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**($64,000,000)**	**($210,000,000)**	**($372,000,000)**	**($541,000,000)**	**($644,000,000)**	**($1,831,000,000)**

EXPENDITURE EXPLANATION

Administrative expenses to phase out corporate taxes and applicable exemptions, deductions, and credits have not been determined.

REVENUE EXPLANATION

Proposed law generally eliminates corporate income & franchise tax (CIFT), and applicable credits, exemptions, and deductions, over a three-year period.

A rough estimate of the amount of CIFT that would ultimately be foregone is reflected in the Revenue Estimating Conference (REC) forecasts of the combined corporate income and franchise tax of approximately $600 million per fiscal year of collections ($570 million for FY24, $584 million for FY25, and $598 million for FY26). These fiscal year projections reflect multiple tax years of returns in each fiscal year, although the bill begins the tax phase down with the single tax year of 2024.

Specific estimates of the annual revenue losses as the tax is phased out are complicated by the fact that the realization of franchise tax year changes typically occur over a three fiscal year period of transition. The first rate reduction in the bill (full-year impact of $210 million) resulting in tax year revenue losses beginning in FY24 at 45% of the tax year effect ($64 million). The remaining amount of the first tax year phase-down will occur as an additional 55% of the first-year rate cut ($78 million in FY25), and the final 10% of the first-year rate cut ($7 million in FY26). Subsequent phases of the rate reductions and three-year transitions accumulate the revenue losses in a staggered 45%/55%/5% fashion, resulting in an approximate revenue impact of $644 million in FY28. As CIFT revenues that are above $600 million are dedicated to the Revenue Stabilization Fund, the FY28 impact of $644 million is reflected in the table above as shared between the state general fund and dedicated funds.

These estimates assume that the phase-down of exemptions, deductions, and credits that limit CIFT liabilities does not apply to the calculation of tax table income tax liability, discussed above, but only to the various credits that are applicable to specific taxpayer situations after tax liability is calculated, and reflected in the REC forecasts above. Once the tax is eliminated, and possibly before, any outstanding credits, rebates, etc., may be charged against other revenue streams (also may require additional legislation), which would make the general fund reduction greater than shown in the table.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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