

2025 Regular Session

HOUSE BILL NO. 598

BY REPRESENTATIVE ECHOLS

TAX CREDITS: Authorizes income tax credits for businesses within certain manufacturing industries

1 AN ACT

2 To enact R.S. 47:6003, relative to tax credits; to establish an income tax credit for certain
3 manufacturers; to provide for eligibility for the credit; to provide for calculation of
4 credit amounts; to limit the amount of credit that a taxpayer may earn in a taxable
5 year; to authorize the carrying forward of unused credit amounts; to provide for
6 recapture of credit amounts in certain circumstances; to provide for claiming of the
7 credit; to provide for definitions; to authorize administrative rulemaking; to provide
8 for applicability; to provide for an effective date; and to provide for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:6003 is hereby enacted to read as follows:

11 §6003. Manufacturing investment tax credit

12 A. There shall be allowed a credit against any Louisiana income tax for any
13 taxable year in which a qualifying taxpayer places qualified manufacturing and
14 productive equipment property in service. For state income tax purposes, the basis
15 of the qualified manufacturing and productive equipment property shall be reduced
16 by the amount of any credit claimed with respect to the property.

17 B.(1)(a) The amount of the credit authorized by this Section shall equal the
18 aggregate of all of the following:

19 (i) One-half percent of total aggregate bases for all three-year property that
20 qualifies.

1 (ii) One percent of total aggregate bases for all five-year property that
2 qualifies.

3 (iii) One and one-half percent of total aggregate bases for all seven-year
4 property that qualifies.

5 (iv) Two percent of total aggregate bases for all ten-year property that
6 qualifies.

7 (v) Two and one-half percent of total aggregate bases for all fifteen-year or
8 greater property that qualifies.

9 (b) For any taxable year, the maximum credit amount allowed to a qualifying
10 taxpayer pursuant to this Section shall be ten million dollars.

11 (2) For purposes of this Subsection, the classification of property as
12 three-year property, five-year property, seven-year property, ten-year property, or
13 fifteen-year property shall be determined based on the applicable recovery period for
14 the property provided in Section 168(e) of the Internal Revenue Code.

15 C. For purposes of this Section, the following terms shall have the meanings
16 ascribed to them in this Subsection:

17 (1) "Department" means the Department of Revenue.

18 (2)(a) "Qualified manufacturing and productive equipment property" means
19 any property that meets all of the following qualifications:

20 (i) It is used as an integral part of manufacturing or production.

21 (ii) It is tangible property to which Section 168 of the Internal Revenue Code
22 applies.

23 (iii) It is deemed Section 1245 property in accordance with Section
24 1245(a)(3) of the Internal Revenue Code.

25 (iv) The property is acquired by the taxpayer and its original use commences
26 with the taxpayer within this state or it is constructed, reconstructed, or erected by
27 the taxpayer within this state.

28 (b) In the case of any computer software which is used to control or monitor
29 a manufacturing or production process inside this state and with respect to which

1 depreciation, or amortization in lieu of depreciation, is allowable, the software shall
2 be deemed qualified manufacturing and productive equipment property for purposes
3 of this Section.

4 (3) "Qualifying taxpayer" means any entity that meets any of the following
5 criteria:

6 (a) Engages in activities classified as motor vehicle manufacturing within
7 Sector 31-33 (manufacturing) of the North American Industry Classification System
8 published by the United States Bureau of the Census.

9 (b) Engages in activities classified as aerospace products and parts
10 manufacturing within Sector 31-33 (manufacturing) of the North American Industry
11 Classification System published by the United States Bureau of the Census.

12 (c) Engages in activities classified as medical equipment and supplies
13 manufacturing within Sector 31-33 (manufacturing) of the North American Industry
14 Classification System published by the United States Bureau of the Census.

15 D. The credit provided for in this Section shall be allowed against the
16 income tax due from a qualifying taxpayer for the taxable period in which the credit
17 is earned. If the credit allowed pursuant to this Section exceeds the amount of taxes
18 due from a qualifying taxpayer, then any unused credit amount may be carried
19 forward by the taxpayer as a credit against subsequent tax liability for a period not
20 to exceed ten years. However, in no event shall the amount of the credit applied by
21 a qualifying taxpayer in a taxable period exceed the amount of taxes due from the
22 taxpayer for that taxable period.

23 E. During any taxable year, if a taxpayer disposes of qualified manufacturing
24 and productive equipment property before the end of the applicable recovery period
25 for the property or removes the property from this state, then the taxpayer's state
26 income tax for the taxable period shall be increased by the amount necessary for the
27 recapture of credit by the department. If a taxpayer is subject to recapture of a credit
28 amount in accordance with this Section, then the taxpayer may increase the basis of
29 the property by the amount of any basis reduction attributable to claiming the credit

1 in prior years. The basis shall be increased in the year in which the credit is
2 recaptured.

3 F. Credits previously granted to a taxpayer, but later disallowed, may be
4 recovered by the secretary of the department through any collection remedy
5 authorized by R.S. 47:1561.

6 G. No taxpayer shall be eligible for any other state tax credit or any state tax
7 exemption, exclusion, deduction, or rebate, or any other state tax preference for
8 activity for which the taxpayer receives a credit pursuant to this Section.

9 H.(1) All entities taxed as corporations for Louisiana income tax purposes
10 shall claim any credit on their corporation income tax return.

11 (2) Individuals, estates, and trusts shall claim their share of any credit on
12 their income tax return.

13 (3) Entities not taxed as corporations shall claim their share of any credit on
14 the returns of the partners or members as follows:

15 (a) Corporate partners or members shall claim their share of any credit on
16 their corporation income tax returns.

17 (b) Individual partners or members shall claim their share of any credit on
18 their individual income tax returns.

19 (c) Partners or members that are estates or trusts shall claim their share of
20 any credit on their fiduciary income tax returns.

21 I. The secretary of the department may promulgate rules in accordance with
22 the Administrative Procedure Act as are necessary to implement the provisions of
23 this Section.

24 Section 2. The provisions of this Act shall apply to taxable periods beginning on or
25 after January 1, 2026.

26 Section 3. This Act shall become effective on January 1, 2026.

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 598 Original

2025 Regular Session

Echols

Abstract: Authorizes an income tax credit for manufacturers of motor vehicles, aerospace products and parts, and medical equipment and supplies based on amounts of those businesses' capital investments.

Proposed law authorizes a credit against La. income tax for any taxable year in which a qualifying taxpayer places qualified manufacturing and productive equipment property in service.

Proposed law provides that "qualifying taxpayer" means any motor vehicle manufacturer, aerospace products and parts manufacturer, or medical equipment and supplies manufacturer, all as designated by the North American Industry Classification System.

Proposed law defines "qualified manufacturing and productive equipment property" as any property that meets all of the following qualifications:

- (1) It is used as an integral part of manufacturing or production.
- (2) It is tangible property to which Section 168 of the Internal Revenue Code (IRC) applies.
- (3) It is deemed Section 1245 property in accordance with the IRC.
- (4) The property is acquired by the taxpayer and its original use commences with the taxpayer within this state or it is constructed, reconstructed, or erected by the taxpayer within this state.

Proposed law stipulates that in certain specified cases, computer software used to control or monitor a manufacturing or production process inside this state may be deemed qualified manufacturing and productive equipment property for purposes of the credit.

Proposed law provides that the amount of the credit shall equal the aggregate of all of the following:

- (1) 0.5% of total aggregate bases for all three-year property that qualifies.
- (2) 1.0% of total aggregate bases for all five-year property that qualifies.
- (3) 1.5% of total aggregate bases for all seven-year property that qualifies.
- (4) 2% of total aggregate bases for all 10-year property that qualifies.
- (5) 2.5% of total aggregate bases for all 15-year or greater property that qualifies.

Proposed law limits the allowable amount of the credit to \$10M per qualifying taxpayer per taxable year.

Proposed law establishes that, for its purposes, property classifications shall be determined based on the applicable recovery period for the property provided in the IRC.

Proposed law provides that if the credit exceeds the amount of taxes due from a qualifying taxpayer for a taxable period, then any unused credit amount may be carried forward by the taxpayer as a credit against subsequent tax liability for a period not to exceed 10 years. Stipulates, however, that the amount of the credit applied in a taxable period shall not exceed the amount of taxes due from the taxpayer for that period.

Proposed law sets forth requirements and procedures for recapture of credits in cases of taxpayers disposing of qualified manufacturing and productive equipment property before the end of its recovery period or removing that property from La.

Proposed law provides that no taxpayer shall be eligible for any other state tax credit or any other state tax preference for activity for which the taxpayer receives a credit pursuant to proposed law.

Proposed law applies to taxable periods beginning on or after Jan. 1, 2026.

Effective Jan. 1, 2026.

(Adds R.S. 47:6003)