
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 788 Original

2015 Regular Session

Jay Morris

Abstract: Reduces the rates for the tax levied on individual income tax in favor of a flat tax and eliminates all individual income tax credits, deductions, exclusions, and exemptions.

Present law (R.S. 47:32) provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at varying rates.

Proposed law reduces individual income tax rates as follows:

- (1) From 2% on the first \$12,500 of net income to 0% on the first \$12,000 of net income.
- (2) From 4% on the next \$37,500 and 6% on net income in excess of \$50,000 to 2.5% on net income in excess of \$12,000.

Present law provides for individual income tax credits, deductions, exclusions, and exemptions.

Proposed law eliminates all individual income tax credits, deductions, exclusions, and exemptions for taxable years beginning on or after Jan. 1, 2015. For those credits that require a contract with the department, proposed law prohibits any new contracts from being entered into after July 1, 2015.

Present law (R.S. 17:3095) provides generally for the Louisiana Student Tuition Assistance and Revenue Trust Program (START) and authorizes an individual income tax deduction for certain deposits into a START account.

Present law (R.S. 47:33) provides for a credit against the individual income tax for a resident for income derived from property located in another state when taxes on the income are imposed by and paid to the other state.

Present law (R.S. 47:44.1) provides for an exemption from the state income tax for income earned by full-time military personnel for services performed outside the state for the U.S. armed forces.

Present law (R.S. 47:44.2) provides for an exemption from the state income tax for federal social security benefits, retirement benefits for retirees of the U.S. government, or benefits pursuant to the Railroad Retirement Act of 1974.

Present law (R.S. 47:48) provides for an exemption from the state income tax for interest received on state obligations or any political subdivision of the state.

Present law (R.S. 47:59.1) provides for a deduction from an individual's gross income for expenses incurred for adaptations to an individual's primary residence made necessary by the disability of the individual.

Present law (R.S. 47:79) provides for personal exemptions and dependent credits from individual income taxes.

Present law (R.S. 47:287.755) provides for an income tax credit for contributions, donations, or selling below cost tangible movable property to a public educational institution for the purposes of research, research training, or direct education of students in the state. The amount of the credit is 40% of the property's value, or in the case of sale below cost, 40% of the difference between the price received and the value of the property.

Present law (R.S. 47:293) provides for various individual income tax deductions for certain qualifying payments made by the individual taxpayer.

Present law (R.S. 47:294) provides that all personal exemptions and deductions for dependents allowed in determining federal income tax liability shall be allowed in determining La. tax liability. Further provides for a combined personal exemption of \$4,500 for single, individual filers, \$9,000 for married, joint filers, \$4,500 for married, separate filers, and \$9,000 for filers who are the head of household.

Present law (R.S. 47:297(A)) provides for a tax credit of \$100 for any taxpayer when the taxpayer, taxpayer's spouse, or dependent is deaf, blind, mentally incapacitated, or has lost the use of one or more limbs.

Present law (R.S. 47:297(B)) provides for a tax credit for the elderly, contributions to candidates for public office, investment credits, credits for foreign tax, work incentive credits, jobs credits, and residential credits. The amount of the credit is the lesser of \$25 or 10% of the same credit allowed on the federal income tax return for the same tax year.

Present law (R.S. 47:297(C)) provides for an income tax credit for individuals in an amount equal to the state gasoline and motor fuels tax and special fuels taxes paid to operate or propel a commercial fishing boat.

Present law (R.S. 47:297(D)) provides a \$25 income tax credit per child for individual taxpayers for educational expenses.

Present law (R.S. 47:297(F)) provides an income tax credit for individual taxpayers in an amount equal to 33.3% of the amount contributed to a family responsibility program under the provisions of present law. Further limits the credit to \$200 per year.

Present law (R.S. 47:297(H)) provides for an income tax credit for certain medical doctors and dentists who practice in designated rural areas. The credit allowed is \$5,000 per taxable year up to a maximum of five years for each taxpayer meeting the criteria.

Present law (R.S. 47:297(I)) provides an income tax credit for taxpayers for certain bone marrow donor expenses. The amount of the credit is 25% of the bone marrow donor expenses incurred during the tax year by an employer to provide the program.

Present law (R.S. 47:297(J)) provides an income tax credit for individual taxpayers for certain educational expenses associated with attending college. The amount of the credit is equal to the lesser of the tax due, or 100% of the educational expenses, or \$750.

Present law (R.S. 47:297(K)) provides an income tax credit for taxpayers who provide full-time employment to an individual convicted of a first time drug offense who is less than 25 years of age at the time of initial employment.

Present law (R.S. 47:297(L)) provides an income tax credit for certain qualified law enforcement officers for the purchase of a bulletproof vest. The amount of the credit is the lesser of the full purchase price including taxes paid by the taxpayer or \$100.

Present law (R.S. 47:297(M)) provides for an individual income tax credit for amounts paid as premiums for eligible long-term care insurance. The amount of the credit is equal to 10% of the total amount of premiums paid annually.

Present law (R.S. 47:297(N)) provides for an individual income tax credit equal to certain amounts incurred by a taxpayer for expenses resulting from a living organ donation by the taxpayer or taxpayer's spouse. The maximum amount of the credit is \$10,000.

Present law (R.S. 47:297(O)) provides for an individual income tax credit for an employer who employs individuals who have been convicted of first time nonviolent offenses on a full-time basis.

Present law (R.S. 47:297(P)) provides for an income tax credit for inclusion of certain accessible and barrier-free design elements in the construction of a new one- or two- family dwelling. The amount of the credit is the lesser of \$1,000 or the total tax liability of the taxpayer.

Present law (R.S. 47:297.2) provides for an income tax credit for persons who maintain a household that includes one or more dependents who are physically or mentally incapable of caring for themselves. The amount of the credit is equal to the applicable percentage of employment-related expenses allowable pursuant to present federal law.

Present law (R.S. 47:297.3) provides for an income tax exclusion for S Bank shareholder income attributable to the net earnings used to compute the S Bank's shares tax.

Present law (R.S. 47:297.4) provides for an individual income tax credit for certain child care expenses for which the individual is eligible for a federal income tax credit for the same year. The amount of the credit varies.

Present law (R.S. 47:297.5) provides for an exemption from individual income tax for payments or awards made to activated military personnel or family members of activated military personnel under

the La. Military Family Assistance Fund.

Present law (R.S. 47:297.6) provides for an individual income tax credit for eligible costs and expenses incurred during the rehabilitation of an owner-occupied residential or owner-occupied mixed use structure located in certain specific areas. The amount of the credit is equal to 25% of the eligible costs and expenses of a rehabilitation. The maximum credit allowed is \$25,000. Present law further authorizes a credit of 50% of the eligible costs and expenses of a rehabilitation of a vacant and blighted owner-occupied residential structure that is at least 50 years old. Present law provides an annual program cap of \$10 million.

Present law (R.S. 47:297.8) provides for an individual income tax credit in an amount equal to 3.5% of the federal earned income tax credit for which the individual is eligible.

Present law (R.S. 47:297.9) provides for an individual income tax credit for the amount paid by an active or reserve military service member for a La. noncommercial hunting or fishing license.

Present law (R.S. 47:297.10) provides for a deduction from tax table income for amounts paid during the taxable year by a taxpayer for tuition and fees required for a student's enrollment in certain nonpublic elementary or secondary school.

Present law (R.S. 47:297.11) provides for a deduction from tax table income for educational expenses paid during the tax year by a taxpayer for certain home-schooling expenses.

Present law (R.S. 47:297.12) provides for a deduction from tax table income for amounts paid during the tax year by a taxpayer associated with a student's enrollment in a public elementary or secondary school.

Present law (R.S. 47:300.6) provides for the definition of La. taxable income of a resident estate or trust to mean that amount determined in accordance with present federal law for the same taxable year, modified by adding or subtracting certain amounts.

Present law (R.S. 47:300.7) provides for the definition of La. taxable income of a nonresident estate or trust to mean that amount determined in accordance with federal law for the same taxable year, modified by adding or subtracting certain amounts.

Present law (R.S. 47:6004) provides for an income and corporation franchise tax credit for the employment of each person and participant of Family Independence Work Program in a newly created full-time job. The amount of the credit is \$750 and is allowed for the taxable period during which the new employee has completed one year of full-time service with the taxpayer or against the corporation franchise tax for the taxable period following the taxable period during which the new employee has completed one year of full-time service with the taxpayer.

Present law (R.S. 47:6005) provides an income or corporation franchise tax credit for the purchase of qualified new recycling manufacturing or process equipment or qualified service contracts to be used or performed exclusively in the state. The amount of the credit is 20% of the cost of the

equipment or service contract less the amount of any other tax credit received for the purchase of the equipment or contract. Further provides an annual program cap of \$5 million.

Present law (R.S. 47:6006) provides for an income or corporation franchise tax credit for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors, and retailers and on natural gas held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities. The amount of the credit is equal to 100% of the inventory taxes paid to the political subdivision.

Present law (R.S. 47:6006.1) provides for an income or corporation franchise tax credit for ad valorem taxes paid without protest to political subdivisions on vessels in Outer Continental Shelf Lands Act Waters. The amount of the credit is equal to 100% of the ad valorem taxes paid to the political subdivision.

Present law (R.S. 47:6007) provides for an income tax credit for La. taxpayers for investment in state-certified productions earned at the time expenditures are made by a motion picture production company in a state-certified production. The amount of the credit is equal to 30% of the base investment made by the investor if the total base investment is more than \$300,000. Additionally provides for a credit equal to 5% of base investment expended on payroll for La. residents employed in connection with a state-certified production. However, this credit does not apply to the payroll of any one person that exceeds \$1 million.

Present law (R.S. 47:6008) provides for an income or corporation franchise tax credit for qualified donations made to qualified playgrounds. The amount of the credit is equal to the lesser of \$1,000 or 1/2 of the value of the cash, equipment, goods, or services donated.

Present law (R.S. 47:6009) provides for an income or corporation franchise tax credit for a La. business or industry that supports and encourages employee basic skills training by satisfying criteria established in present law and that submit proper and complete applications. The amount of the credit is \$250 per participating employee, with the total of all basic skills training credits not to exceed \$30,000 for any single business or industry enterprise in a particular tax year.

Present law (R.S. 47:6012) provides for an income and corporation franchise tax credit for employers within the state to donate materials, equipment, or instructors to public training providers registered with the La. Workforce Commission, or community colleges to assist in the development of training programs designed to meet industry needs. The amount of the credit is equal to 50% of the value of the donated materials, equipment, or services rendered by the instructor.

Present law (R.S. 47:6014) provides for an income and corporation franchise tax credit for ad valorem taxes paid to political subdivisions by a telephone company for the company's public service properties. The amount of the credit is equal to 40% of the aggregate ad valorem taxes paid by the telephone company to the political subdivision.

Present law (R.S. 47:6015) provides for an income and corporation franchise tax credit for taxpayers who employ persons in the state and claim a federal income tax credit for increasing research

activities. The credit is allowed at varying amounts.

Present law (R.S. 47:6016.1) provides for the La. New Markets Jobs Act for purposes of a tax credit that may be claimed against insurance premium tax. Eligibility is based on the investment of private capital in a low-income community business in La. The annual program cap is \$55 million. The amount of the credit is authorized in varying amounts based on a certain percentage multiplied by the amount of the qualified investment. The percentage multiplier is based on the credit allowance date. The credit allowance dates are based on the initial date of the qualified investment and each of the six successive anniversary dates of the initial date.

Present law (R.S. 47:6017) provides for an income or corporation franchise tax credit for the filing fee paid to the La. State Bond Commission. The amount of the credit is equal to the amount of the filing fee paid.

Present law (R.S. 47:6019) provides for an income or corporation franchise tax credit for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development district or a cultural district. The credit shall not exceed 25% of the eligible costs and expenses and no taxpayer shall claim more than \$5 million of credit annually for any number of structures rehabilitated within a particular downtown development or cultural district.

Present law (R.S. 47:6022) provides for an income or franchise tax credit for La. taxpayers for investment in state-certified productions for digital interactive media earned at the time expenditures are made on a state-certified production. The amount of the credit is equal to 25% of the base investment made by the investor. Additionally provides for a credit equal to 10% of base investment expended on payroll for La. residents employed in connection with a state-certified production.

Present law (R.S. 47:6023) provides for an income or franchise tax credit for La. taxpayers for investment in state-certified productions for sound recordings earned at the time expenditures are made on a state-certified production. The amount of the credit is equal to 25% of the base investment made by the investor in excess of \$15,000, or in excess of \$5,000 for investors who are La. residents. Additionally provides for a credit equal to 10% of base investment expended on payroll for La. residents employed in connection with a state-certified production. Present law provides an annual program cap of \$3 million.

Present law (R.S. 47:6025) provides for an income tax credit for the amount of surcharges, market equalization charges, or assessments paid by a taxpayer for the La. Citizens Property Insurance Corporation assessments due to Hurricanes Katrina and Rita.

Present law (R.S. 47:6026) provides for an income or corporation franchise tax credit for certain heritage-based cottage industries located or to be located in the Cane River Heritage Area Development Zone. The credit is equal to an amount up to \$1,500 per contract award and an additional \$1,500 credit for each new employee hired during the taxable year for which the credit is claimed.

Present law (R.S. 47:6030) provides for an income tax credit for the cost of purchase and installation

of a solar electric or thermal system, or by a third party through a lease with the owner of a residence. The amount of the credit for the installation of the system on a residence is equal to 50% of the first \$25,000 for the cost of a system purchased and installed before Jan. 1, 2018. The amount of the credit for a leased system varies based on the cost per watt and the amount of kilowatts of energy the system provides.

Present law (R.S. 47:6032) provides for a refundable income and corporation franchise tax credit for a resident taxpayer engaged in the business of producing milk for sale. The amount of the credit is based on the production and sale of milk below the announced production price over a calendar year in accordance with a schedule provided in present law. Present law caps the total aggregate amount of credits for all producers at \$2.5 million per calendar year and limits the credit allowed for each producer at varying amounts.

Present law (R.S. 47:6034) provides for an individual or corporate income tax credit for qualified production expenditures on investments in a state-certified musical or theatrical production or infrastructure project. For state-certified higher education musical or theatrical infrastructure projects that receive initial certification prior to Jan. 1, 2018, a base investment credit may be earned for expenditures made in the state on or before Jan. 1, 2022, for the construction, repair, or renovation of a new state-certified higher education musical or theatrical facility infrastructure project. No more than \$10 million in tax credits are allowed per project and no more than \$60 million is allowed for all state-certified higher education musical or theatrical infrastructure projects. The credit for an investor is granted in varying amounts.

Present law (R.S. 47:6035) provides for an income tax credit for qualified clean-burning motor vehicle fuel property purchased and installed on certain motor vehicles. The amount of the credit is equal to 50% of the cost of the qualified clean-burning motor vehicle fuel property.

Present law (R.S. 47:6036) provides for an income and corporate franchise tax credit for the total capital costs of a project sponsored or undertaken by a public port and investing companies that have a capital cost of at least \$5 million dollars and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or port and harbor operations and cargo handling, including any port or port and harbor activity. The amount of the investor tax credit is equal to the total amount of capital costs of the project which shall be taken at 5% per tax year. The amount of the import-export cargo tax credit is equal to the product of multiplying \$5 by the taxpayer's number of tons of qualified cargo for the taxable year that exceeds the precertification tonnage.

Present law (R.S. 47:6037) provides an individual income or corporate income tax credit for approved expenditures in the state for the construction, repair, or renovation of a state-certified green project. Present law further provides a \$1 million per project cap and a \$5 million annual program cap. The amount of the credit allowed varies.

Present law provides for an additional tax credit of 10% of the base investment expended on payroll for La. residents employed in connection with the construction of a state-certified green project. The additional 10% tax credit for payroll for La. residents does not apply to that amount in excess of \$1 million in payroll made to a single La. resident. Further allows an additional 1% of the base

investment expended on payroll for La. residents who are graduates of certain La. programs.

Present law (R.S. 47:6104) provides for an individual income tax credit for child care expenses based on the quality rating of the child care facility which the child attends. The amount of the credit is a percentage of a credit provided for in present law and varies depending on the quality rating of the child care facility.

Present law (R.S. 47:6105) provides for a refundable income or corporation franchise tax credit for child care providers. The amount of the credit is equal to an amount based upon the average monthly number of children who either participate in the Child Care Assistance Program or who are foster children and who are attending a child care facility operated by the child care provider, multiplied by an amount that is based upon the quality rating of each child care facility operated by the child care.

Present law (R.S. 47:6106) provides for a refundable individual income tax credit for eligible child care directors and eligible child care staff. The amount of the credit varies based upon the qualifications of the provider.

Present law (R.S. 47:6107) provides for a refundable income or corporation franchise tax credit for eligible business child care expenses supported by a business. The amount of the credit shall be based on a percentage of eligible business child care expenses depending upon the quality rating of the child care facility to which the expenses are related or the quality rating of the child care facility the child attends. Present law provides for an additional refundable income or corporation franchise tax for the payment by a business of fees and grants to child care resource and referral agencies not to exceed \$5,000 per tax year.

Present law (R.S. 51:1787) provides for a refundable investment income tax credit for state income or corporate franchise tax liability for qualified expenditures made by a taxpayer in the economic development of qualified enterprise zones. The amount of the credit is 1.5% of the amount of the qualified expenditure. An additional credit of \$2,500 is allowed for each net new employee. A \$5,000 credit for each new job created is allowed for certain specific industries in lieu of this \$2,500 credit.

Present law (R.S. 51:1807) provides for an income or franchise tax credit for businesses located in an urban revitalization zone. The credit is equal to \$5,000 per net new employee. The credit received pursuant to present law is in lieu of any incentive received under the Enterprise Zone Program.

Present law (R.S. 51:1924) provides an income tax credit for a taxpayer who invests in the certified capital of a certified La. capital company. The credit is equal to 35% of the taxpayer's cash investment.

Present law (R.S. 51:2354) provides an income and corporation franchise tax credit for investments by the taxpayer in commercialization costs for certain business locations. The amount of the credit is equal to 40% of the amount of money invested. Further provides a credit for qualified new direct

jobs. The credit is equal to 5% multiplied by the gross payroll of the qualified new direct jobs.

Present law (R.S. 51:2399.3) provides for an income or corporation franchise tax credit for amounts of qualified expenditures incurred by an employer for modernization. The amount of the credit is equal to 5% of the amount of qualified expenditures. Further provides an annual program cap of \$10 million.

Proposed law eliminates all individual income tax credits, deductions, exclusions, and exemptions for taxable years beginning on or after January 1, 2015. For those credits that require a contract with the department, prohibits any new contracts from being entered into after July 1, 2015.

Effective if and when the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 264 of this 2015 Regular Session of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 17:3095(A)(1)(b) and (c) and R.S. 47:32(A)(intro. para.), 33(A), 37(H), 44.1, 44.2, 48, 59.1(A), 79(A) and (B)(1) and (5), 287.755(H), 293(2)(a)(i), (3)(c), (7)(a), (9)(a)(intro. para.), and (10), 294, 297(A), (B), (C)(1), (D)(intro. para.), (F), (H)(1), (I)(intro. para.), (J)(1), (K)(1), (L)(1), (M)(1), (N)(1), O, (P)(1), 297.2, 297.3(A), 297.4(A)(intro. para.), 297.5, 297.6(A)(1)(intro. para.) and (C), 297.8(A), 297.9(A), 297.10(A), 297.11, 297.12(A), 300.6(A), 300.7(A), 6005(D), 6104(A)(intro. para.), and 6105; Adds R.S. 17:3095(I) and R.S. 47:33(C), 59.1(C), 79(F), 293(3)(d), (7)(e), and (9)(f), 297(Q), 297.3(D), 297.4(C), 297.8(C), 297.9(D), 297.10(C), 297.12(C), 300.6(C), 300.7(D), 6004(C), 6005(G), 6006(E), 6006.1(G), 6007(G), 6008(D), 6009(F), 6012(F), 6014(F), 6015(K), 6016.1(N), 6017(C), 6018(F), 6019(D), 6022(D)(3), 6023(C)(4), 6025(D), 6026(E)(3), 6030(H), 6032(H), 6034(K), 6035(H), 6036(K), 6037(I), 6104(D), 6106(E), and 6107(C) and R.S. 51:1787(K), 1807(F), 1924(H), 2354(D), 2399.3(C), and 3085(F))