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 520 Original   2021 Regular Session   Nelson

Abstract: Phases-out corporate income and franchise taxes over four years, repeals the deductibility of federal income taxes paid for purposes of calculating corporate income tax liability, and reduces the amount of exemptions, deductions, and credits that may be claimed on tax returns to reduce corporate income and franchise tax liability.

Present law requires that the tax to be assessed, levied, collected, and paid on the La. taxable income of every corporation to be computed at the following rates:

(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 changes present law for tax years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by reducing the tax rates as follows:

(1)   From 4% to 3% on the first $25,000 of La. taxable income.

(2)   From 5% to 3.75% on La. taxable income above $25,000 but not in excess of $50,000.

(3)   From 6% to 4.5% on La. taxable income above $50,000 but not in excess $100,000.

(4)   From 7% to 5.25% on La. taxable income above $100,000 but not in excess of $200,000.

(5)   From 8% to 6% on all La. taxable income in excess of $200,000.

Proposed law provides for the further reduction of corporate income tax rates beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, as follows:

(1)   From 3% to 2% on the first $25,000 of La. taxable income.

(2)   From 3.75% to 2.5% on La. taxable income above $25,000 but not in excess of $50,000.

(3)   From 4.5% to 3% on La. taxable income above $50,000 but not in excess of $100,000.

(4)   From 5.25% to 3.5% on La. taxable income above $100,000 but not in excess of $200,000.

(5)   From 6% to 4% on all La. taxable income in excess of $200,000.

Proposed law provides for the further reduction of corporate income tax rates beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

(1)   From 2% to 1% on the first $25,000 of La. taxable income.

(2)   From 2.5% to 1.25% on La. taxable income above $25,000 but not in excess of $50,000.

(3)   From 3% to 1.5% on La. taxable income above $50,000 but not in excess of $100,000.

(4)   From 3.5% to 1.75% on La. taxable income above $100,000 but not in excess of $200,000.

(5)   From 4% to 2% on all La. taxable income in excess of $200,000.

Proposed law prohibits tax from being assessed, levied, collected, and paid on the La. taxable income of any corporation for tax years beginning on or after Jan. 1, 2026.

Present law levies the corporation franchise tax on a corporation when any of the following occurs:

(1)   An organization does business within this state in a corporate form.

(2)   A corporation exercises its charter or the continuance of its charter within La.

(3)   An entity owns or uses part or all of its capital, plant, or other property in La. in a corporate capacity.

Present law provides for the determination of taxable capital for purposes of levying the corporation franchise tax as well as the tax treatment of capital stock, surplus and undivided profits, and the allocation of taxable capital. Present law further provides for the administration of the tax as well as the collection and payment of the tax.

Proposed law provides for the phase-out of the corporate franchise tax for taxable years beginning on or after Jan. 1, 2023, by reducing the amount of the tax by 25% each year until no tax is levied on the taxable capital of corporations for tax years beginning on or after Jan. 1, 2026.

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. After the first closing of the corporate books, the tax is payable as provided in present law.

Proposed law provides that no initial tax shall be levied or collected by the state nor paid by domestic or foreign corporations for taxable years beginning on or after Jan. 1, 2026.

Present law includes various tax incentives in the form of credits, deductions and exemptions from corporate income and franchise taxes which reduce a taxpayer's overall tax liability.

Proposed law retains present law but reduces the overall value of the amount of tax credits, deductions, and exemptions that may be claimed on a tax return to reduce a taxpayer's corporate income or franchise tax liability as follows:

(1)   For taxable years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by 25%.

(2)   For taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by 50%.

(3)   For taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, by 75%.

(4)   For taxable years beginning on or after Jan. 1, 2026, by 100%.

Present constitution and present law authorize a state deduction for federal income taxes paid for purposes of computing income taxes for the same period.

Proposed law repeals the present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating corporate income taxes.

Proposed law applies to all corporate income and corporate franchise tax periods beginning on or after Jan. 1, 2023.

Effective Jan. 1, 2023, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ___ of this 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:287.12, 287.69, and 601(A), (B), and (C)(2); Adds R.S. 47:287.13, 601.2, and 611(C); Repeals R.S. 47:287.79, 287.83, 287.85, and 287.442(B)(1))