RÉSUMÉ DIGEST

ACT 5 (HB 2) **2024 Third Extraordinary Session** **Emerson**

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

(1) 3.5% on the first $50,000 of La. taxable income.

(2) 5.5% on La. taxable income above $50,000 but not in excess of $150,000.

(3) 7.5% on La. taxable income in excess of $150,000.

New law changes calculation of the tax from a graduated schedule of rates dependent on the amount of taxable income of the taxpayer to a flat 5.5% corporation income tax rate for taxable years beginning on or after Jan. 1, 2025.

New law authorizes, beginning Jan. 1, 2025, a bonus depreciation deduction for qualified property or qualified improvement property and a bonus amortization deduction for research and experimental expenditures, at the election of the taxpayer, for costs of qualified property, qualified improvement property, and research and experimental expenditures. "Bonus depreciation" and "bonus amortization" mean methods to recover costs for expenditures in depreciable or amortizable business assets by immediately deducting the cost of the expenditures in the tax year in which the property is placed in service or the expenditure is paid or incurred.

New law prohibits any depreciation claimed from duplicating any depreciation or bonus depreciation allowable on the federal income tax return of the taxpayer for the taxable year.

New law requires federal gross income to be increased by the amount of depreciation or amortization claimed under the Internal Revenue Code (IRC) for the qualified property, qualified improvement property, and research and experimental expenditures for which bonus depreciation has been claimed for taxable periods subsequent to the tax year in which the election has been made. Prohibits new law from being construed to allow as an expense the excess of 100% of the cost of property or expenditures.

Existing law authorizes a nonrefundable income or franchise tax credit for businesses that hire participants in the work release programs established pursuant to existing law. The amount of the credit shall be equal to 5% of the total wages paid to an eligible reentrant in an eligible job for 12 consecutive months following the release of the eligible reentrant from imprisonment. The total amount of tax credits granted to any eligible business shall not exceed $2,500 per eligible reentrant.

Prior law prohibited credits from being granted after June 30, 2027.

New law accelerates termination for granting credits from after June 30, 2027, to certifications requested after June 30, 2025.

Existing law authorizes the Board of Commerce and Industry, with approval of the governor, to enter into tax exemption contracts with manufacturing establishments, headquarters, or warehousing and distribution establishments seeking such exemption if requirements of existing law are met regarding the location of the entity seeking the exemption for tax equalization.

New law prohibits the Board of Commerce and Industry from entering into any exemption contract after June 30, 2025, and prohibits the board from renegotiating or approving the renewal of an existing contract after June 30, 2025.

Existing law provides a credit against La. income or corporation franchise taxes for taxpayers who are not C-corporations 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 credit is refundable in certain circumstances.

Prior law extended the tax credit in existing law for ad valorem taxes paid to political subdivisions on inventory to taxpayers taxed as C-corporations. For taxable periods beginning on or after July 1, 2026, new law prohibits the credit from being claimed to offset corporation income and franchise taxes for taxpayers taxed as C-corporations; however, taxpayers using the credit to offset corporation income tax may carry forward any remaining credits for an additional five years from the date that the credits would have expired under existing law. New law also repeals the refundability provisions of the credit as it relates to C-corporation filers beginning Jan. 1, 2025.

Existing law provides a credit for motion picture productions in Louisiana and allows a taxpayer to transfer motion picture production credits back to the La. Dept. of Revenue for a reduced rate. Prior law annually capped the application of credits at $150M and annually capped the amount of credits that could be claimed each year on tax returns at $180M. Prior law allowed any unused cap amounts to rollover to the next year.

New law decreases the annual cap for the application of credits and the annual cap for the claiming of credits to $125M. New law also prohibits the rollover of any unused cap amounts to the next year for tax credits granted in a final certification letter after July 1, 2025.

Existing law authorizes an income and corporation franchise tax credit for certain taxpayers who employ 50 or more persons and claim a federal income tax credit for increasing research activities. This tax credit is also available for taxpayers who employ fewer than 50 employees if the employer meets certain eligibility requirements.

Existing law authorizes an additional tax credit for taxpayers who receive a federal Small Business Innovation Research (SBIR) grant or contract and Phase I or Phase II grants or contracts from the federal Small Business Technology Transfer (SBTT) program equal to 30% of the award received during the tax year.

Existing law prohibits tax credits for research expenditures incurred, SBTT program funds received, or SBIR grant funds received after Dec. 31, 2029.

New law adds a provision that beginning July 1, 2026, no more than $12M of research and development tax credits may be claimed in each fiscal year. New law further provides that claims for tax credits will be on a first-come, first-serve basis and any taxpayer whose claim for credits is disallowed because the fiscal cap amount has been reached may use the credits in the next fiscal year and have priority over other claims filed after the date of the original claim.

Existing law authorizes a tax preference known commonly as the "rehabilitation of historic structures tax credit" which provides a credit against income and corporation franchise tax for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure that meets qualifications provided in existing law. The amount of the credit shall equal 25% of the eligible costs and expenses of the rehabilitation incurred on or after Jan. 1, 2023, and before Jan. 1, 2029, regardless of the year the property is placed in service. For the rehabilitation of a historic structure located in a rural area, the amount of the credit shall equal 35% of the eligible costs and expenses of the rehabilitation incurred on or after Jan. 1, 2023, and before Jan. 1, 2029.

Existing law prohibits the issuance of a credit for expenses incurred on or after Jan. 1, 2029.

Prior law provided for an annual application Part II reservation cap of $125M per year. New law decreases the annual application Part II reservation cap for applications received after Jan. 1, 2025, from $125M to $85M.

Existing law establishes the Angel Investor Tax Credit program which authorizes a 25% income or corporate franchise tax credit on investments in La. small businesses that are certified by La. Economic Development (LED) as "Louisiana Entrepreneurial Businesses".

Existing law limits the total amount of credits granted under the program to $3.6M per year but authorizes LED to carry forward residual unused credits in any calendar year to subsequent calendar years without regard to the annual credit cap. Prior law prohibited credits from being granted or reserved for applications received by LED on or after July 1, 2030.

New law accelerates the termination date for granting or reserving credits from on or after July 1, 2030, to after June 30, 2025.

Existing law authorizes a state income tax credit for investments made in state-certified sound recording productions. The tax credit is earned by investors at the time expenditures are certified by LED according to the total base investment certified for the sound recording production company per calendar year. The aggregate amount of credits that can be certified each year is limited to $2,160,000; however, 50% of the credits certified each year shall be reserved for qualified music companies (QMC).

Existing law provides that the amount of the credit for each investor for state-certified productions received on or after July 1, 2017, is 18% of the base investment made by that investor in excess of $25,000 or, if a resident of this state, in excess of $10,000. Existing law provides for the following additional tax credits for state-certified productions:

(1) QMC Tier 1 payroll credit of 10% for each new job with a salary of $35,000 through $66,000 per year.

(2) QMC Tier 2 payroll credit of 15% for each new job with a salary of $66,000 but not more than $200,000.

(3) Additional 10% increase in the base amount if the base investment is expended by a QMC on a sound recording of a resident copyright.

Prior law prohibited credits from being granted for applications received on or after July 1, 2026.

New law accelerates the termination date for the granting of credits on applications from on or after July 1, 2026, to on or after July 1, 2025. Otherwise retains existing law.

Existing law provides for the Enterprise Zone Program under which the Board of Commerce and Industry can enter into contracts after consultation with the secretary of LED and the secretary of the Dept. of Revenue with qualified applicants for rebates of state and local sales and use tax or a refundable investment income tax credit equal to 1.5% of the amount of qualified expenditures.

Prior law prohibited LED from accepting new advance notifications for the Enterprise Zone Program on or after July 1, 2026.

New law changes the deadline for LED to accept new advance notifications from on or after July 1, 2026, to on or after July 1, 2025.

Existing law authorizes an employer to earn and apply for a refundable credit on any income or corporation franchise tax liability in the amount approved by the secretary of LED for qualified expenditures incurred by the employer for a modernization pursuant to the Retention and Modernization Act. Further provides that for credits approved on and after July 1, 2017, the amount of the credit granted shall be 4% of the amount of qualified expenditures incurred by the employer for modernization with the credit divided in equal portions for five years. The total amount of modernization tax credits granted in any calendar year shall not exceed $7.2M regardless of the year in which the credit is claimed. A retention and modernization tax credit shall expire and have no value or effect on tax liability beginning with the eleventh tax year after the tax year in which it was originally granted.

New law adds a termination date for the credit by prohibiting credits from being issued for applications received after June 30, 2025.

Existing law provides for the La. Quality Jobs Program under which LED can enter into contracts with qualified applicants for rebates of sales and use tax and an investment tax credit. Prior law prohibited new advance notifications for the Quality Jobs Program from being accepted by LED after June 30, 2026.

New law changes the deadline for LED to accept new advance notifications for the Quality Jobs Program from after June 30, 2026, to after June 30, 2025.

Prior law required the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs to review various tax credit programs to determine if the economic benefit provided by these credits outweighed the loss of revenue realized by the state as a result of awarding such credit. Further required the committees to make specific recommendations no later than March 1, 2017, to either continue the credit or to terminate the credit.

New law repeals prior law.

New law repeals the following tax rebates, exemptions, deductions, exclusions, and credits for tax periods beginning on or after Jan. 1, 2025, and for franchise tax periods beginning on or after Jan. 1, 2026:

(1) Tax rebates, exemptions, and credits for university research and development parks. (R.S. 17:3389)

(2) Tax exemptions and credits for the Atchafalaya Trace Heritage and Development Zone. (R.S. 25:1226 through 1226.6)

(3) Low income housing tax credit. (R.S. 47:12)

(4) Tax credit for certain full-time and part-time jobs. (R.S. 47:34)

(5) Tax credits for contributions to certain educational institutions. (R.S. 47:37 and 287.755)

(6) Tax deduction for certain disallowed expenses. (R.S. 47:287.73(C)(4))

(7) Tax credit for certain re-entrant jobs. (R.S. 47:287.748)

(8) Tax credit for certain new part-time and full-time jobs. (R.S. 47:287.749)

(9) Tax credit for employment of first-time nonviolent offenders. (R.S. 47:287.752)

(10) Tax credit for bone marrow donor expenses. (R.S. 47:287.758)

(11) Tax credit for employee and dependent health insurance coverage. (R.S. 47:287.759)

(12) Sales tax exclusion for certain purchases by motion picture production companies. (R.S. 47:301(10)(a)(vi))

(13) Corporate Tax Apportionment Program. (R.S. 47:4331)

(14) Tax credit for local inventory taxes paid. (R.S. 47:6006)

(15) Tax credit for employers for donations of materials, equipment, advisors, or instructors. (R.S. 47:6012)

(16) New markets tax credit. (R.S. 47:6016)

(17) Tax credit for purchasers from "PIE contractors". (R.S. 47:6018)

(18) Brownfields Investor tax credit. (R.S. 47:6021)

(19) Tax credit for La. Citizens Property Insurance Corporation assessment. (R.S. 47:6025)

(20) Cane River heritage tax credit. (R.S. 47:6026)

(21) Solar energy tax credit. (R.S. 47:6030)

(22) Tax credit for investments in qualified clean-burning motor vehicle fuel property. (R.S. 47:6035)

(23) Ports of La. tax credit. (R.S. 47:6036)

(24) La. import tax credit. (R.S. 47:6036.1)

(25) Tax credit for "green job industries". (R.S. 47:6037)

(26) Tax credit for restaurants and bars affected by the COVID-19 pandemic. (R.S. 47:6041)

(27) Urban Revitalization Tax Incentive Program. (R.S. 51:1801-1813)

(28) Tax exemptions within the La. Capital Companies Tax Credit Program. (R.S. 51:1932)

(29) Technology Commercialization Credit and Jobs Program. (R.S. 51:2351-2360)

(30) The La. Community Development Financial Institution Act. (R.S. 51:3081-3094)

(31) The Corporate Headquarters Relocation Program. (R.S. 51:3111-3115)

(32) Competitive Projects Payroll Incentive Program. (R.S. 51:3121)

New law requires LED to annually report to the legislature the number of new businesses that have begun operating in the state from enactment of new law until 2028.

New law applies to income tax periods beginning on or after Jan. 1, 2025, and franchise tax periods beginning on or after Jan. 1, 2026.

Effective Jan. 1, 2025.

(Amends R.S. 47:287.12, 287.750(I), 4302(B), 6006(A), (B)(1)(intro. para), (2), and (4), (D), and (E), 6007(J)(1)(b)(i) and (c) and (2)(a), 6019(A)(1)(e), 6020(H), 6023(I) and R.S. 51:1787(L) and 2461; Adds R.S. 47:287.71(B)(9), 287.73(C)(6), 287.744, 3204(M), 6007(J)(1)(d), and 6015(M) and R.S. 51:2399.3(C); Repeals R.S. 17:3389, R.S. 25:1226-1226.6, R.S. 47:12, 34, 37, 287.73(C)(4), 287.95(H), 287.748, 287.749, 287.752, 287.755, 287.758, 287.759, 301(10)(a)(vi), 4331, 6005(G), 6006(F)-(H), 6008(D), 6011, 6012, 6013(D), 6014(F), 6015(L), 6016, 6016.1(N), 6017(C), 6018, 6021, 6022(L), 6025-6027, 6030, 6032(H), 6035-6037, 6041, 6104(D), 6105(B), 6106(E), and 6107(C), R.S. 51:1801-1813, 1932, 2351- 2360, 3081-3094, 3111-3115, and 3121)