2025 Regular Session

HOUSE BILL NO. 233

BY REPRESENTATIVE ECHOLS

TAX CREDITS: Establishes an income tax credit for certain pharmaceutical and medicine manufacturers

AN ACT

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

Be it enacted by the Legislature of Louisiana:

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

<u>§6003. Louisiana Drug Manufacturing Repatriation Act; tax credit</u>

<u>A. This Section shall be known and may be cited as the Louisiana Drug Manufacturing Repatriation Act.</u>

<u>B. There shall be allowed a credit against any Louisiana income tax for any taxable year in which a qualifying taxpayer places qualified drug manufacturing and productive equipment property in service. For state income tax purposes, the basis of the qualified drug manufacturing and productive equipment property shall be reduced by the amount of any credit claimed with respect to the property.</u>

CODING: Words in ~~struck through~~ type are deletions from existing law; words <u>underscored</u> are additions.

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

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

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

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

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

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

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

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

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

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

(2)(a) "Qualified drug manufacturing and productive equipment property" means any property used in pharmaceutical and medicine manufacturing that meets all of the following qualifications:

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

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

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

(iv) 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 in this state.

(b) In the case of any computer software which is used to control or monitor a drug manufacturing or production process inside this state and with respect to which depreciation, or amortization in lieu of depreciation, is allowable, the software shall be deemed qualified drug manufacturing and productive equipment property for purposes of this Section.

(3) "Qualifying taxpayer" means an entity that meets all of the following qualifications:

(a) Engages in activities classified as pharmaceutical and medicine manufacturing within Sector 31-33 (manufacturing) of the North American Industry Classification System published by the United States Bureau of the Census.

(b) Closes a pharmaceutical and medicine manufacturing facility operating in Canada, Mexico, the People's Republic of China, India, Singapore, the United Kingdom, or the European Union and relocates that manufacturing operation to a site within Louisiana.

E. The credit provided for in this Section shall be allowed against the income tax due from a qualifying taxpayer for the taxable period in which the credit is earned. If the amount of the credit exceeds the amount of taxes due from a qualifying taxpayer, 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 ten years. However, in no event shall the amount of the credit applied by a qualifying taxpayer in a taxable period exceed the amount of taxes due from the taxpayer for that taxable period.

F. During any taxable year, if a taxpayer disposes of qualified drug manufacturing and productive equipment property before the end of the applicable recovery period for the property or removes the property from this state, then the taxpayer's state income tax for the taxable period shall be increased by the amount necessary for the recapture of credit by the department. If a taxpayer is subject to recapture of a credit amount in accordance with this Subsection, then the taxpayer may increase the basis of the property by the amount of any basis reduction attributable to claiming the credit in prior years. The basis shall be increased in the year in which the credit is recaptured.

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

H. No taxpayer shall be eligible for any other state tax credit, exemption, exclusion, deduction, rebate, or other state tax benefit for activity for which the taxpayer receives a credit pursuant to this Section.

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

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

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

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

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

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

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

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

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 233 Original 2025 Regular Session Echols

Abstract: Authorizes an income tax credit based on capital investments for pharmaceutical manufacturers that relocate their manufacturing operations from certain foreign countries to sites within La.

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

Proposed law defines "qualifying taxpayer" as an entity that meets all of the following qualifications:

(1) Engages in activities classified as pharmaceutical and medicine manufacturing within Sector 31-33 (manufacturing) of the North American Industry Classification System published by the U.S. Bureau of the Census.

(2) Closes a pharmaceutical and medicine manufacturing facility operating in Canada, Mexico, the People's Republic of China, India, Singapore, the United Kingdom, or the European Union and relocates that manufacturing operation to a site within La.

Proposed law defines "qualified drug manufacturing and productive equipment property" as any property used in pharmaceutical and medicine manufacturing 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 drug 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 provides requirements 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)