DIGEST

HB 50 Engrossed | 2016 Second Extraordinary Session | Montoucet

Abstract: Requires a business be domiciled in La. for a minimum of five years prior to the sale of the business to be eligible for the net capital gains deduction and provides a tiered individual income tax deduction for net capital gains.

Present law provides for a deduction from tax table income for income derived from net capital gains, which shall be limited to gains recognized and treated for federal tax purposes as arising from the sale or exchange of an equity interest in or substantially all of the assets of a nonpublicly traded corporation, partnership, limited liability company, or other business organization commercially domiciled in the state.

Proposed law requires a business to be domiciled in the state for a minimum of five years prior to becoming eligible to claim the deduction. Further reduces the amount of the deduction in the following tier percentage rates:

(1) 50% for a business domiciled in the state for 5 years or more, but less than 10 years.

(2) 60% for a business domiciled in the state for 10 years or more, but less than 15 years.

(3) 70% for a business domiciled in the state for 15 years or more, but less than 20 years.

(4) 80% for a business domiciled in the state for 20 years or more, but less than 25 years.

(5) 90% for a business domiciled in the state for 25 years or more, but less than 30 years.

(6) 100% for a business domiciled in the state for 30 years or more.

Applicable to sales and exchanges occurring on or after the effective date of proposed law.
Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:293(9)(a)(xvii))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Delete provisions of proposed law reducing the amount of the net capital gains deduction from 100% to 50%.

2. Require a business be domiciled in the state for a minimum of five years to be eligible to claim the deduction.

3. Reduce the amount of the deduction in the following tiers:

   a. 50% for a business domiciled in the state for 5 years or more, but less than 10 years.

   b. 60% for a business domiciled in the state for 10 years or more, but less than 15 years.

   c. 70% for a business domiciled in the state for 15 years or more, but less than 20 years.

   d. 80% for a business domiciled in the state for 20 years or more, but less than 25 years.

   e. 90% for a business domiciled in the state for 25 years or more, but less than 30 years.

   f. 100% for a business domiciled in the state for 30 years or more.

4. Change applicability date from taxable years beginning on or after Jan. 1, 2016, to sales and exchanges occurring on or after the effective date of this Act.