
DIGEST

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HB 361 Engrossed

2017 Regular Session

Ivey

Abstract: Phases-out the corporate franchise tax over four years beginning Jan. 1, 2019.

Present law (R.S. 47:601 et seq.) establishes the corporation franchise tax which is levied on every domestic and foreign corporation exercising its charter, qualified to do business, or actually doing business in La. The corporation franchise tax is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in La.

Present law provides that the tax shall be levied at the following rates:

- (1) \$1.50 per \$1,000 of taxable capital, up to \$300,000.
- (2) \$3 per \$1,000 of taxable capital above \$300,001.

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, 2019, 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, 2022.

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 retains present law but clarifies that no initial tax shall be levied or collected by the

state nor paid by domestic or foreign corporations for taxable years beginning on and after Jan. 1, 2022.

Proposed law applies to all corporate franchise tax periods beginning on and after Jan. 1 2019.

Effective Jan. 1, 2018, if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 356 of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective and if the Acts which originated as House Bill Nos. 357, 358, 359, 360, 362, 363, and 364 of this 2017 R.S. of the Legislature are enacted and become effective.

(Amends R.S. 47:601(A), (B) and (C)(2); Adds R.S. 47:611(C))

Summary of Amendments Adopted by House

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

1. Phase-out the corporate franchise tax over four years beginning on and after Jan. 1, 2019 by reducing the taxpayer's tax liability by 25% until the entire amount of the tax is eliminated for taxable years beginning on and after Jan. 1, 2022, rather than repeal the tax.
2. Add provision that for tax years beginning on and after Jan. 1, 2022, no initial corporate franchise tax is due for newly established businesses.
3. Change the applicability provisions of the bill from taxable years beginning on and after Jan. 1, 2018 to all corporate franchise tax periods beginning on and after Jan. 1, 2019.
4. Add contingent effectiveness on Jan. 1, 2018, for proposed law if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 356 of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective and if the Acts which originated as House Bill Nos. 357, 358, 359, 360, 362, 363, and 364 of this 2017 R.S. of the Legislature become effective.