DIGEST

SB 93 Original   2019 Regular Session   Ward

Present law requires corporations to pay Louisiana income tax using the corporate income tax rate and bracket schedule as follows:

(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 eliminates the graduated brackets and imposes the corporate income tax at a single rate of 3.95%.

Present law provides that taxpayers and the department of revenue may enter into agreement to use certain claims against the state arising from erroneous payments of corporate franchise tax against corporation income and franchise tax liability.

Proposed law retains present law authorization to use these claims against the state to offset corporation franchise tax, but eliminates the ability to use these claims to offset corporation income tax for all such agreements executed after Jan. 1, 2020.

Present law authorizes numerous tax credits that can be used to offset a corporation's Louisiana corporation income tax liability dollar for dollar.

Proposed law prohibits taxpayers from using tax credits to reduce their corporation income tax liability, but retains the credits for all other taxes that present law authorizes.

Proposed law provides for transition rules that authorize the continuation of corporation income tax credits issued pursuant to certain economic development contracts executed before Jan. 1, 2020.

Proposed law provides for a procedure for the utilization of corporation income tax credits with carryover balances that were earned before Jan. 1, 2020, provided that the credits cannot be used to offset franchise tax, there is additional time remaining in the carryover period, and the taxpayer notifies the department of revenue of the balance by July 1, 2020.

<u>Proposed law</u> specifically eliminates the ability of corporate taxpayers from using the following tax credits to offset or reduce their corporation income tax liability:

(1)   Insurance Company Premium Tax (R.S. 47:227)

(2)   Industrial Tax Equalization Program (R.S. 47:3201-3205)

(3)   Exemptions for Manufacturing Establishments (R.S. 47:4301-4306)

(4)   Inventory Tax/Ad Valorem Tax/Natural Gas (R.S. 47:6006)

(5)   Ad Valorem Tax on Offshore Vessels (R.S. 47:6006.1)

(6)   Motion Picture Investor Tax Credit (R.S. 47:6007)

(7)   Ad Valorem Tax Paid by Certain Telephone Companies (R.S. 47:6014)

(8)   Research and Development Tax Credit (R.S. 47:6015)

(9)   Rehabilitation of Historic Structures (R.S. 47:6019)

(10)   Digital Interactive Media & Software Tax Credit (R.S. 47:6022)

(11)   Musical & Theatrical Productions Tax Credit (R.S. 47:6034)

(12)   Ports of Louisiana Tax Credits (R.S. 47:6036)

(13)   School Readiness Child Care Provider (R.S. 47:6105)

(14)   Enterprise Zone tax credits (R.S. 51:1781-1791)

(15)   Retention and Modernization Credit (R.S. 51:2399.1-2399.6)

<u>Proposed law</u> applies to all taxable years beginning on or after Jan. 1, 2020.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 47:287.12, 1484(C)(1), 1675(B)(2) and (I), 3204(H), (I) and (J), 4305, 6006(A), 6006(B)(1)(intro para), (B)(2), and (4), 6006.1(A), (B)(1), (3), and (4), 6007(C)(1)(intro para), (C)(2) and (3), 6007(C)(4)(intro para), 6014(A), (B), and (C)(1), (3), (4) and (5), 6015(B)(1) and (2), (C)(3)(a) and (d)(i), (D)(2)(intro para), and (K), 6019(A)(1)(a), (3)(b)(ii)(aa), and (dd)(I), 6022(E)(2)(a), 6034(C)(1)(intro para) and 6034(D), 6036(C)(1)(a)(intro para), 6036(C)(4), and (I)(2)(a)(i) and (b), 6105(A), R.S. 51:1787(A)(1)(b) and (2), 2399.3(A)(3); adds R.S. 47:1484(C)(5), 1675(K), R.S. 51:1787(A)(3)(d), and 2399.3(A)(4); repeals R.S. 47:227, 287.748, 287.749, 287.752, 287.753, 287.755, 287.756, 287.758, and 287.759)