

RÉSUMÉ DIGEST

ACT 389 (SB 161)

2021 Regular Session

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Prior law levied the corporation franchise tax on domestic and foreign corporations exercising their charter, qualified to do business, or actually doing business in the state. 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 Louisiana.

Prior law suspended the corporation franchise tax on the first \$300,000 of taxable capital for small business corporations.

Prior law defined "small business corporation" as an entity that is subject to the corporation franchise tax and that has taxable capital of \$1,000,000 or less.

Prior law applied only to taxable periods beginning between July 1, 2020, and June 30, 2021.

New law extends the suspension of the corporation franchise tax on the first \$300,000 of taxable capital for small business corporations for all franchise taxable periods beginning before July 1, 2023.

Above provisions effective upon signature of the governor or lapse of time for gubernatorial action.

Prior law provided that the franchise tax is levied at the following rates:

- (1) \$1.50 per \$1,000 of taxable capital, up to \$300,000.
- (2) \$3.00 per \$1,000 of taxable capital above \$300,000.

New law eliminates the first bracket of the corporation franchise tax and provides that no tax will be due on the first \$300,000 of taxable capital for all taxpayers beginning Jan. 1, 2023.

New law reduces the corporation franchise tax rate from \$3 per \$1,000 on taxable capital above \$300,000 to 2.75% beginning Jan. 1, 2023.

New law provides for an automatic corporation franchise tax rate reduction in any year that corporation income and franchise tax collections exceed the fiscal year 2018-19 corporation income and franchise tax collections, adjusted annually by the growth factor in Article VII, Section 10(C) of the Constitution of Louisiana if both:

- (1) Overall state tax, license, and fee revenue has grown for the same period.
- (2) The Rainy Day Fund is funded at a minimum of 62.5% of its maximum.

New law provides for the new tax rates under the automatic rate reduction trigger to be calculated by multiplying the current tax rate by the difference between one and the percentage change in corporation income and franchise tax collections in excess of the corporation income and franchise tax collections, compounded annually by the growth rate, for the 2018-19 fiscal year.

Except for above, remaining provisions effective if and when the proposed amendment of Article VII, Section 4(A) of the Constitution of Louisiana contained in the Act which originated as SB 159 or HB 274 of the 2021 R.S. is adopted at the statewide election to be held on October 9, 2021, and becomes effective, and HB 278 and HB 292 are enacted and become law.

(Amends R.S. 47:601(A)(intro para), 601.1(A)(1); adds R.S. 47:601(D) and 601.2)