
DIGEST

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HB 197 Original

2023 Regular Session

DeVillier

Abstract: Phases-out the corporate franchise tax over five years beginning Jan. 1, 2024.

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, beginning Jan. 1, 2023, that the rate of the tax shall be \$2.75 per \$1,000 of taxable capital above \$300,000.

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.

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 provides for a five-year phase-out of the corporate franchise tax by reducing the tax rate as follows:

- (1) For taxable periods beginning on or after Jan. 1, 2024, and before Jan. 1, 2025, \$2.20 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (2) For taxable periods beginning on or after Jan. 1, 2025, and before Jan. 1, 2026, \$1.65 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (3) For taxable periods beginning on or after Jan. 1, 2026, and before Jan. 1, 2027, \$1.10 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (4) For taxable periods beginning on or after Jan. 1, 2027, and before Jan. 1, 2028, \$0.55 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (5) For taxable periods beginning on or after Jan. 1, 2028, no corporation franchise tax shall be assessed, levied, or collected by the state nor paid by domestic or foreign corporations on

taxable capital.

Proposed law provides that no initial tax shall be levied or collected by the state nor paid by domestic or foreign corporations for taxable periods beginning on or after Jan. 1, 2028.

Present law suspends the state corporation franchise tax levied on corporations at the rate of \$1.50 for each \$1,000 of taxable capital, or major fraction thereof, on the first \$300,000 for small business corporations that have taxable capital of \$1M or less for franchise tax periods beginning between July 1, 2020, and July 1, 2023.

Proposed law repeals present law.

Present law requires the reduction of the corporate franchise tax rate if, beginning April 1, 2024, and each April first thereafter the prior fiscal year's actual corporate income and franchise tax collections as reported in the state's accounting system exceed the actual corporate income and franchise tax collections for the fiscal year ending June 30, 2019, adjusted annually by the growth factor provided for in existing constitution. If the conditions in present law are met, corporate franchise tax rates are reduced beginning the following Jan. first.

Present law requires the reduced rate to be calculated by multiplying the current rate by the difference between one and the percentage change in corporate income and franchise tax collections in excess of the corporate income and franchise tax collections for Fiscal Year 2018-2019 adjusted annually by the growth factor as provided for in present constitution. Further prohibits this reduction unless both of the following conditions are met:

- (1) The prior fiscal year's actual total tax, licenses, and fees exceed the actual total tax, licenses, and fees for Fiscal Year 2018-2019, adjusted annually by the growth factor provided for in existing constitution.
- (2) The Budget Stabilization Fund balance as determined by the treasurer is at least 2.5% of the total state revenue receipts from the prior fiscal year.

Proposed law repeals present law.

Proposed law applies to all corporate franchise tax periods beginning on or after Jan. 1, 2024.

Effective Jan. 1, 2024.

(Amends R.S. 47:601(B), (C)(2), and (D); Adds R.S. 47:601(E) and 611(C); Repeals R.S. 47:601.1 and 601.2)