

Regular Session, 2013

HOUSE BILL NO. 634

BY REPRESENTATIVE SEABAUGH

TAX/CORP INCOME: Phases out corporation income and corporation franchise taxes over a 10-year period

1 AN ACT

2 To amend and reenact R.S. 287.11 and 601 and to enact R.S. 47:32(D), relative to the
3 phasing-out of certain taxes levied on corporations; to provide for a reduction and
4 eventual elimination of the corporation franchise tax and the corporation income tax
5 over a certain period of time; to provide for an effective date; and to provide for
6 related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 287.11 and 601 are hereby amended and reenacted and R.S. 47:32(D)
9 is hereby enacted to read as follows:

10 §32. Rates of tax

11 * * *

12 D.(1) Notwithstanding the provisions of Subsection C of this Section, the
13 rates applicable to each class of taxpayer as set forth in Subsection A of this Section
14 shall be as follows:

15 (a) For tax years beginning during 2016, ninety percent of the rates provided
16 for in Subsection C of this Section.

17 (b) For tax years beginning during 2017, eighty percent of the rates provided
18 for in Subsection C of this Section.

19 (c) For tax years beginning during 2018, seventy percent of the rates provided
20 for in Subsection C of this Section.

1 (2) Taxable years beginning prior to January 1, 1987, shall not be affected
2 by the provisions of this Part, but shall remain subject to the applicable provisions
3 of R.S. 47:21 et seq.

4 D.(1) For taxable years beginning January 1, 2016, the tax levied pursuant
5 to the provisions of this Part shall be limited to the following percentages of the
6 amount otherwise levied pursuant to the provisions of this Part:

7 (a) For taxable years beginning on or after January 1, 2016, and before
8 January 1, 2017, ninety percent.

9 (b) For taxable years beginning on or after January 1, 2017, and before
10 January 1, 2018, eighty percent.

11 (c) For taxable years beginning on or after January 1, 2018, and before
12 January 1, 2019, seventy percent.

13 (d) For taxable years beginning on or after January 1, 2019, and before
14 January 1, 2020, sixty percent.

15 (e) For taxable years beginning on or after January 1, 2020, and before
16 January 1, 2021, fifty percent.

17 (f) For taxable years beginning on or after January 1, 2021, and before
18 January 1, 2022, forty percent.

19 (g) For taxable years beginning on or after January 1, 2022, and before
20 January 1, 2023, thirty percent.

21 (h) For taxable years beginning on or after January 1, 2023, and before
22 January 1, 2024, twenty percent.

23 (i) For taxable years beginning on or after January 1, 2024, and before
24 January 1, 2025, ten percent.

25 (2) For taxable years beginning on or after January 1, 2025, no corporation
26 income tax shall be assessed, levied, or collected by the state nor paid by domestic
27 or foreign corporations on taxable income.

1 (2) For taxable years beginning January 1, 2014, the tax levied pursuant to
2 the provisions of this Chapter shall be limited to the following percentages of the
3 amount otherwise levied pursuant to the provisions of this Chapter:

4 (a) For taxable years beginning on or after January 1, 2014, and before
5 January 1, 2015, ninety percent.

6 (b) For taxable years beginning on or after January 1, 2015, and before
7 January 1, 2016, eighty percent.

8 (c) For taxable years beginning on or after January 1, 2016, and before
9 January 1, 2017, seventy percent.

10 (d) For taxable years beginning on or after January 1, 2017, and before
11 January 1, 2018, sixty percent.

12 (e) For taxable years beginning on or after January 1, 2018, and before
13 January 1, 2019, fifty percent.

14 (f) For taxable years beginning on or after January 1, 2019, and before
15 January 1, 2020, forty percent.

16 (g) For taxable years beginning on or after January 1, 2020, and before
17 January 1, 2021, thirty percent.

18 (h) For taxable years beginning on or after January 1, 2021, and before
19 January 1, 2022, twenty percent.

20 (i) For taxable years beginning on or after January 1, 2022, and before
21 January 1, 2023, ten percent.

22 (3) For taxable years beginning on or after January 1, 2023, no corporation
23 franchise tax shall be assessed, levied, or collected by the state nor paid by domestic
24 or foreign corporations on taxable capital.

25 B. It is the purpose of this Section to require the payment of this tax to the
26 state of Louisiana by domestic corporations for the right granted by the laws of this
27 state to exist as such an organization, and by both domestic and foreign corporations
28 for the enjoyment, under the protection of the laws of this state, of the powers, rights,
29 privileges, and immunities derived by reason of the corporate form of existence and

1 operation. The tax ~~hereby~~ imposed pursuant to the provisions of this Chapter shall
2 be in addition to all other taxes levied by any other statute.

3 C.(1) As used herein the term "domestic corporation" shall mean and include
4 all corporations, joint stock companies, or associations, or other business
5 organizations organized under the laws of this state which have privileges, powers,
6 rights, or immunities not possessed by individuals or partnerships.

7 (2) The term "foreign corporation" shall mean and include all such business
8 organizations as ~~hereinbefore~~ described in ~~this~~ Paragraph (C)(1) of this Section
9 which are organized under the laws of any other state, territory, or district, or foreign
10 country.

11 Section 2. This Act shall become effective upon signature by the governor or, if not
12 signed by the governor, upon expiration of the time for bills to become law without signature
13 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
14 vetoed by the governor and subsequently approved by the legislature, this Act shall become
15 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Seabaugh

HB No. 634

Abstract: Provides for the phasing-out of the corporation income tax and the corporation franchise tax over a period of 10 years.

CORPORATION INCOME TAX

Present law (R.S. 47:32(C)) provides for a tax to be assessed, levied, collected, and paid upon the taxable income of corporations to be computed as follows:

- (1) 4% on the first \$25,000.
- (2) 5% on amounts between \$25,001 and \$50,000.
- (3) 6% on amounts between \$50,001 and \$100,000.
- (4) 7% on amounts between \$100,001 and \$200,000.
- (5) 8% on all amounts above \$200,000.

Proposed law changes present law by requiring a phase out of the state tax on the net income of corporations as follows:

- (1) For tax years beginning during 2016, 90% of the rates provided for in present law.
- (2) For tax years beginning during 2017, 80% of the rates provided for in present law.
- (3) For tax years beginning during 2018, 70% of the rates provided for in present law.
- (4) For tax years beginning during 2019, 60% of the rates provided for in present law.
- (5) For tax years beginning during 2020, 50% of the rates provided for in present law.
- (6) For tax years beginning during 2021, 40% of the rates provided for in present law.
- (7) For tax years beginning during 2022, 30% of the rates provided for in present law.
- (8) For tax years beginning during 2023, 20% of the rates provided for in present law.
- (9) For tax years beginning during 2024, 10% of the rates provided for in present law.
- (10) No tax shall be assessed, levied, collected, or paid upon the income of a corporation for any tax year commencing on or after Jan. 1, 2025.

Present law (R.S. 47:287.2 et seq) establishes the corporation income tax and levies such tax on corporations and entities taxed as corporations for federal income tax purposes. Proposed law phases out present law, as more fully explained below.

Present law further provides that such tax is not levied on insurance companies. Proposed law retains present law.

Present law provides that the tax shall be levied on Louisiana taxable income at the following rates:

- (1) 4% on the first \$25,000.
- (2) 5% on amounts between \$25,001 and \$50,000.
- (3) 6% on amounts between \$50,001 and \$100,000.
- (4) 7% on amounts between \$100,001 and \$200,000.
- (5) 8% on all amounts above \$200,000.

Proposed law retains present law but provides that the amounts levied under present law shall be reduced by a cumulative 10% each year over the next 10 years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after 1/1/2024, no corporation income tax shall be assessed or paid.

CORPORATION FRANCHISE TAX

Present law (R.S. 47:601 et seq.) establishes the corporation franchise tax. Such tax is levied on every domestic and foreign corporation exercising its charter, qualified to do business, or actually doing business in Louisiana. It is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in Louisiana. Proposed law phases out present law, as more fully explained below.

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) \$3.00 per \$1,000 of taxable capital above \$300,001.

Proposed law retains present law but provides that the amount levied under present law shall be reduced by a cumulative 10% each year over the next 10 years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after 1/1/2024, no corporation franchise tax shall be assessed or paid.

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

(Amends R.S. 287.11 and 601; adds R.S. 47:32(D))