

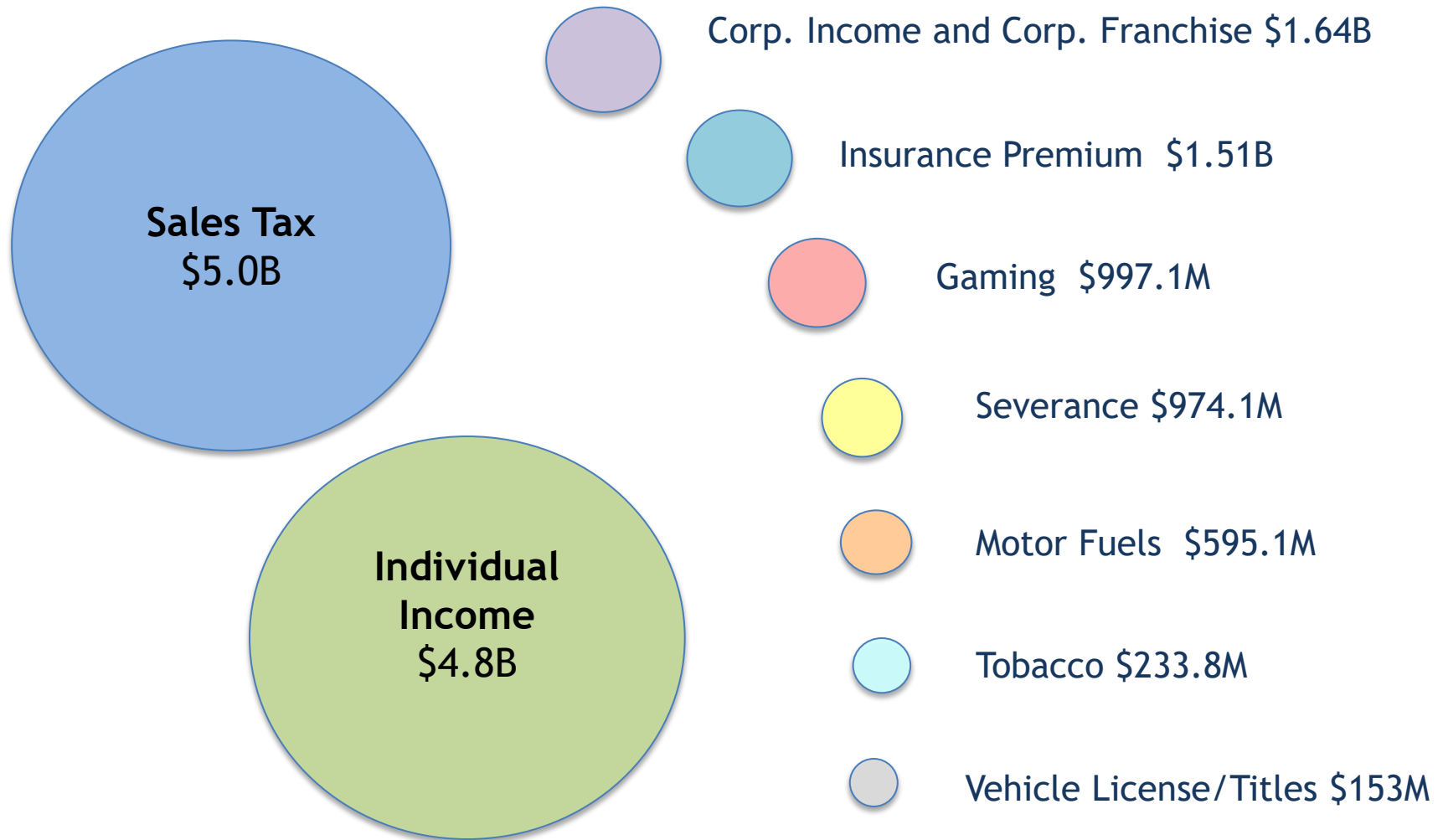


# Recent Developments in Tax Law - 2024 State Tax Reform and Recent Federal Tax Updates

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Committee*

December 5, 2025

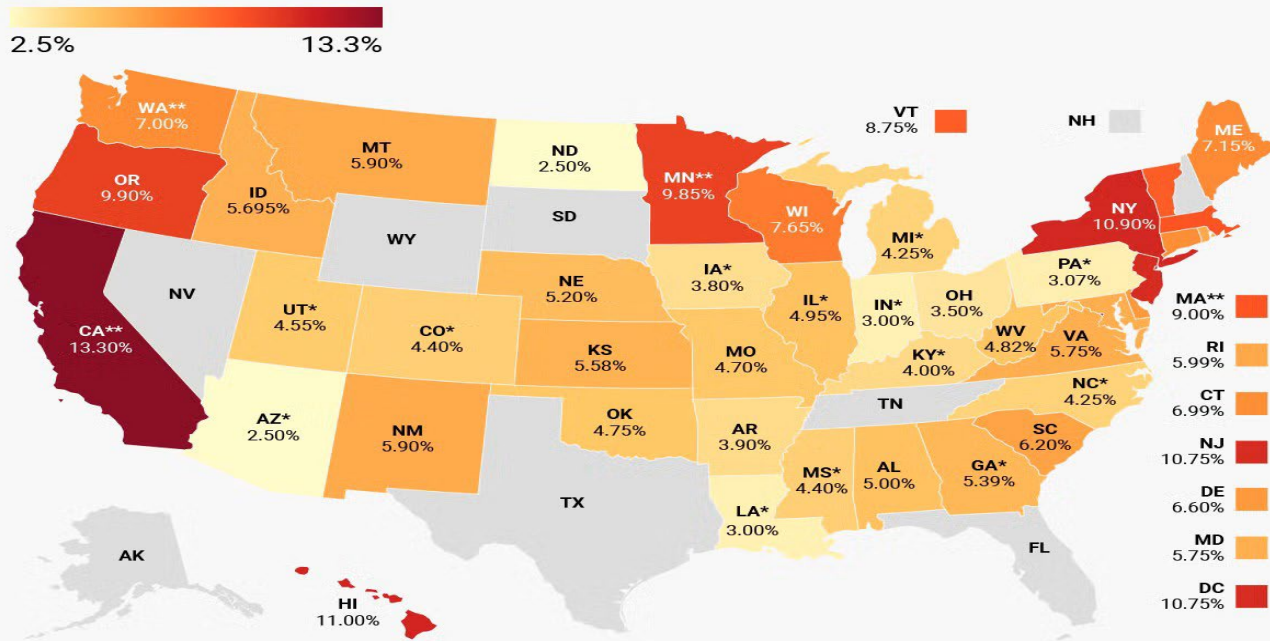
# STATE REVENUES FOR FISCAL YEAR 2024



# Individual Income Tax

# INDIVIDUAL INCOME TAX MAP

## Top Marginal State Individual Income Tax Rates (as of January 1, 2025)



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included.

(\*) State has a flat income tax.

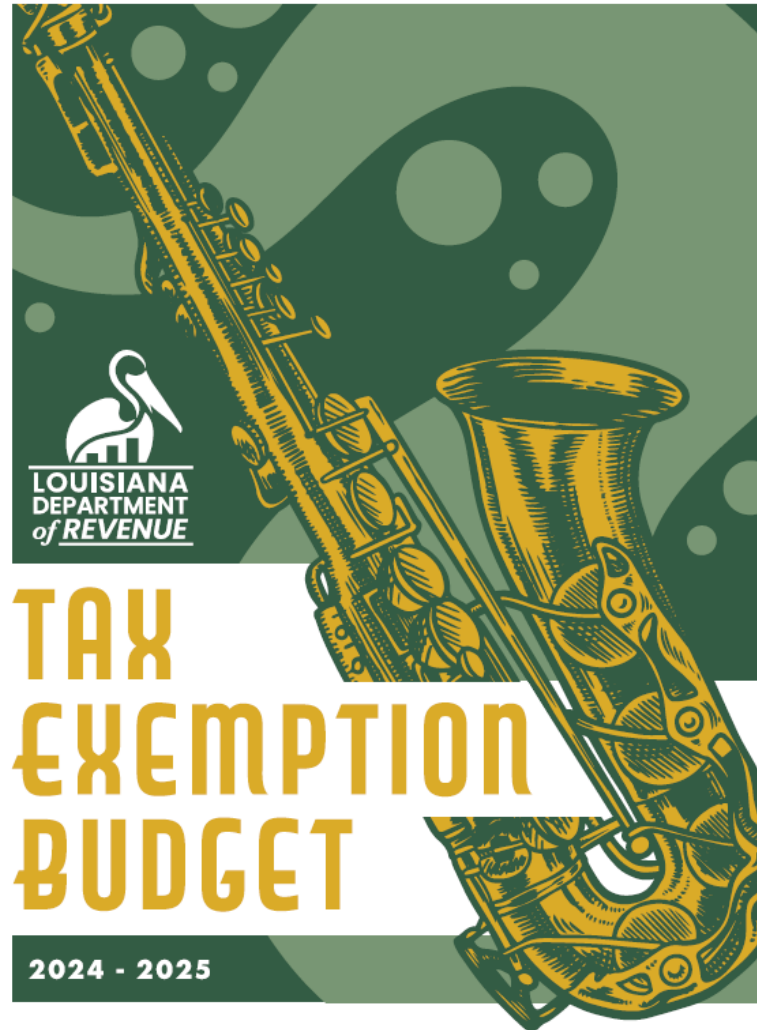
(\*\*) Washington's 7% rate only applies to high earners' capital gains income. Top rates exclude non-UI payroll taxes in CA (1.1%), MA (0.46%), and WA (0.58%), and a 1% high earners' capital gains surtax in MN.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.

# LOUISIANA DATA SOURCES

2023 - 2024

## ANNUAL REPORT



# LOUISIANA INCOME TAX

## Number of Returns Received During Fiscal Year 2024

<b>Filing Status</b>	<b>Resident</b>	<b>Non-Resident</b>	<b>Total</b>
Head of Household	404,528	23,503	428,031
Married Filing Jointly	587,179	106,242	693,421
Married Filing Separate	33,001	5,671	38,672
Qualifying Widow(er)	1,239	129	1,368
Single	846,121	96,374	942,495
<b>TOTALS</b>	<b>1,872,068</b>	<b>231,919</b>	<b>2,103,987</b>

Source: La. Dept. of Revenue, *Annual Tax Collection Report, 2023-2024*

# LOUISIANA INCOME TAX

## Individual Income Tax

### Totals by Adjusted Gross Income

#### Total Resident Returns Received During Fiscal Year 2024

AGI Ranges	Number of Returns	Percent of Returns	LA AGI	LA Taxable Income	LA Income Tax	Percent LA Income Tax	Non Refundable Credits	Refundable Credits	LA Income Tax After Credits	Percent LA Income Tax After Credits
negative/zero	136,629	7%	\$ 0	\$ 15,020	\$ 3	0%	\$ 136,941	\$ 8,890,662	\$ 3	0%
1 - 10,000	182,802	10%	889,623,470	883,773,714	3,330,455	0%	14,422	4,006,219	2,716,476	0%
10,000 - 20,000	258,392	14%	3,905,240,867	3,890,844,505	47,739,209	1%	177,202	31,956,024	33,043,674	1%
20,000 - 30,000	240,505	13%	5,963,717,592	5,939,570,480	118,334,284	3%	1,701,595	31,050,517	93,123,391	2%
30,000 - 40,000	190,979	10%	6,638,011,763	6,605,369,969	158,526,375	4%	2,691,890	15,025,834	144,794,581	4%
40,000 - 50,000	144,037	8%	6,450,115,773	6,411,654,354	168,930,731	4%	1,912,317	5,232,013	163,505,365	4%
50,000 - 60,000	115,189	6%	6,311,898,047	6,270,490,673	176,935,679	4%	2,194,797	2,044,465	173,842,370	4%
60,000 - 80,000	160,856	9%	11,130,246,267	11,052,024,205	333,896,298	8%	4,389,170	1,710,628	328,738,213	8%
80,000 - 100,000	106,917	6%	9,557,916,689	9,494,456,525	297,730,965	7%	4,551,520	1,364,057	292,483,113	7%
100,000 - 150,000	162,169	9%	19,796,935,281	19,684,261,603	650,409,907	15%	10,710,007	3,459,102	638,162,947	16%
150,000 - 200,000	76,239	4%	13,086,710,431	13,013,838,523	460,707,455	11%	7,623,788	2,206,030	452,051,317	11%
200,000 - 500,000	78,307	4%	22,257,236,246	22,069,801,131	846,251,484	19%	18,553,356	4,433,651	825,358,403	20%
500,000 - 1,000,000	12,798	1%	8,647,513,084	8,512,483,257	350,261,381	8%	16,017,991	4,576,403	332,778,146	8%
> 1,000,000	6,249	0%	16,545,255,621	16,051,285,799	689,689,643	16%	118,568,557	13,691,266	559,215,068	14%
<b>TOTALS</b>	<b>1,872,068</b>	<b>100%</b>	<b>\$131,180,421,131</b>	<b>\$129,879,869,758</b>	<b>\$4,302,743,869</b>	<b>100%</b>	<b>\$189,243,553</b>	<b>\$129,646,871</b>	<b>\$4,039,813,067</b>	<b>100%</b>

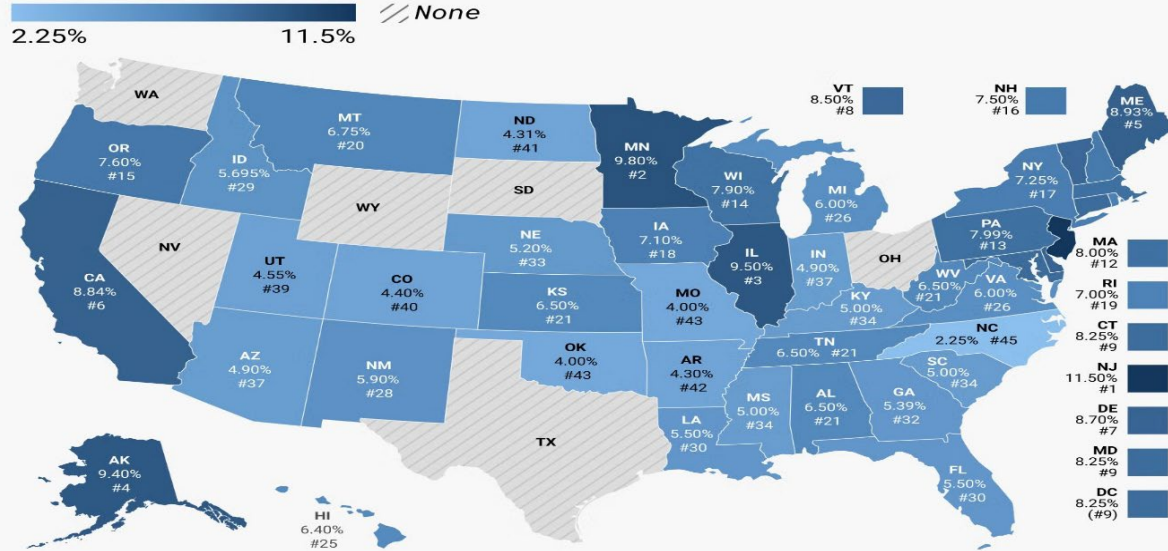
Source: La. Dept. of Revenue, *Annual Tax Collection Report, 2023-2024*

# Corporation Income Tax

# CORPORATION INCOME TAX MAP

## How High are Corporate Income Tax Rates in Your State?

Top Marginal Corporate Income Tax Rates as of January 1, 2025



Note: In addition to regular income taxes, many states impose other taxes on corporations, such as gross receipts taxes and franchise taxes. Some states also impose an alternative minimum tax and special rates on financial institutions. Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware, Oregon, and Tennessee have gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level. New Jersey imposes a surtax that adds an additional 2.5% to the rate for corporations with taxable income above \$10 million. Connecticut charges a 10% surtax on a business's tax liability if it has gross proceeds of \$100 million or more, or if it files as part of a combined unitary group. This surtax was recently extended and is scheduled to expire on January 1, 2026. Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate. In New Jersey, the rates indicated apply to a corporation's entire net income, rather than just income over the threshold.

Source: Tax Foundation; state statutes, forms, and instructions; Bloomberg Tax.

# Corporation Franchise Tax

# CORPORATION FRANCHISE TAX BASICS

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Annual tax levied on the taxable capital of corporations, including capital stock, surplus, and undivided profits

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Initial tax for new businesses is \$110 for first accounting period

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Revenue generated from this tax is included in the corporate income tax collections

# **Sales and Use Tax**

# SALES AND USE TAX BASICS

- Levied on the *sale at retail, use, consumption, distribution, and storage for use or consumption* of each item of tangible personal property.
- Levied on the *lease or rental within this state* of each item of tangible personal property.
- Levied on the sale of specific types of services outlined in R.S. 47:301.3.
- Was levied on the sale of digital products and digital services beginning Jan. 1, 2025.

# SALES AND USE TAX BASICS

The state's current sales and use tax rate is composed of four separate levies:

La. Revised Statute	Rate
R.S. 47:302	2.0%
R.S. 47:321	1.0%
R.S. 47:321.1	1.0%
R.S. 47:331	1.0%
<b>Total State Sales Tax Rate</b>	<b>5.0%</b>

# SALES AND USE TAX BASICS

Over 170 state exemptions/exclusions/credits (collectively, “exemptions”) provided for in statute

- Total of actual sales tax collections for FY 2024 was \$4.696B
- Value of statutory sales tax exemptions in FY 2024 was **\$1.9B**

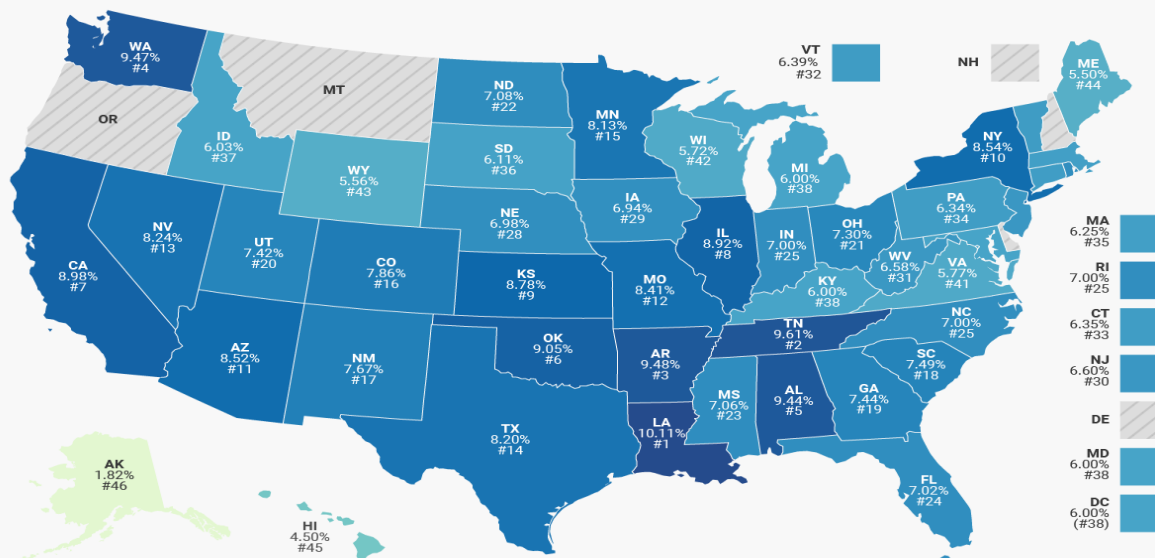
## Constitutional exemptions

- Three of the five largest state sales tax exemptions are the constitutional exemptions for
  1. Food for home consumption
  2. Prescription drugs
  3. Residential utilities
- Value of constitutional sales tax exemptions in FY 2024: **\$1.4B**

# SALES TAX MAP

## How High Are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, July 2025



States w/ highest combined state & local rates (July '25):

1. LA 10.11%
2. TN 9.61%
3. AR 9.48%
4. WA 9.47%
5. AL 9.44%

Note: City, county, and municipal rates vary. These rates are weighted by population to compute an average local tax rate. The sales taxes in Hawaii, New Mexico, and South Dakota have broad bases that include many business-to-business services. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites.

**Tax Reform Bills from the  
2024 3<sup>rd</sup> E.S.  
and  
2025 R.S. Updates**

# 2024 TAX REFORM - INDIVIDUAL INCOME TAX

## Individual Income Tax Changes - Act No. 11 (HB No. 10)

Individual Income Tax Rates prior to Jan. 1, 2025		
Single*	1.85%	On the first \$12,500 of net income
	3.5%	On the next \$37,500 of net income
	4.25%	On net income in excess of \$50,000



Individual Income Tax Rates after Jan. 1, 2025	
3%	Net Income

The standard deduction for single, individual, and married, separate filers increased from \$4,500 to \$12,500.

The standard deduction for married-joint, qualified surviving spouses, and head of household filers increased from \$9,000 to 200% of the dollar amount for single filers.

Requires the standard deduction amounts to be adjusted annually beginning Jan. 1, 2026, by the percentage increase in the CPI for all urban consumers, as published by the U.S. Dept. of Labor, for the previous calendar year.

Repealed the \$400 tax credit for dependents that meet certain criteria and the \$1,000 deduction for each dependent.

Increased the amount of annual pension or annuity income received by an individual 65 years of age or older exempt from tax from \$6,000 to \$12,000 and requires the amount of the exemption to be adjusted annually beginning Jan. 1, 2026, by the average annual increase in the CPI for all urban consumers, as published by the U.S. Dept. of Labor, for the previous calendar year.

*\*NOTE: Tax brackets are doubled if taxpayer files jointly*

# 2024 TAX REFORM - CORPORATION INCOME TAX

## Corporation Income Tax Changes - Act No. 5 (HB No. 2)

Corporation Income Rates and Brackets prior Jan. 1, 2025	
3.5%	First \$50,000 of La. taxable income
5.5%	On La. taxable income above \$50,000 but not more than \$150,000
7.5%	On La. taxable income in excess of \$150,000



Corporation Income Rates and Brackets after Jan. 1, 2025	
5.5%	On La. taxable income

- Authorizes a taxpayer subject to the corporation income tax to deduct \$20,000 from the calculation of gross income.
- Authorizes a bonus depreciation deduction for qualified property or qualified improvement property and a bonus amortization deduction for research and experimental expenditures, at the election of the taxpayer, for costs of qualified property, qualified improvement property, and research and experimental expenditures.
- Repealed a number of tax rebates, exemptions, deductions, and credits.

# 2024 TAX REFORM - SPECIFIC TAX INCENTIVE CHANGES

Changes to the following tax credits and incentives were contained in both Act No. 5 and Act No. 11 (individual income and corporation income tax bills)

## Inventory Tax Credit - 2024 3rd E.S.

- Maintains the inventory tax credit for individuals and pass-through entities but terminates the credit for taxpayers that file as C-corporations (C-corps) for federal income tax purposes beginning on July 1, 2026. However, C-corps will be allowed to carry forward unused credit amounts for an additional 5 years from the date the credits would have expired but this additional five year period shall not apply to credits that would have expired prior to January 1, 2025.
- Eliminates eligibility of C-corp filers to receive excess credit amounts as refunds beginning January 1, 2025.

## Inventory Tax Credit - Act No. 412 from the 2025 R.S.

- Eliminates eligibility of C-corp filers to earn the credit for ad valorem taxes made on or after July 1, 2026. This limitation does not apply to certain cooperatives for any patronage dividends paid or allocated to its members.
- Limits S-corp filers to earn the credit for ad valorem taxes made on or after July 1, 2026, only for amounts that flow-through to shareholders
- Increases the carryforward period for taxpayers earning the credit from 5 years to 10 years.

# 2024 TAX REFORM - SPECIFIC TAX INCENTIVE CHANGES

Changes to the following tax credits and incentives were contained in both Act No. 5 and Act No. 11 (individual income and corporation income tax bills)

## Motion Picture Production Tax Credit - 2024 3<sup>rd</sup> E.S.

- Decreases the annual cap for the issuance of motion picture production tax credits submitted on or after July 1, 2025, by the Department of Economic Development from \$150M to \$125M.
- Decreases the annual cap for the claiming of motion picture production tax credit claims beginning on or after July 1, 2025, on tax returns from \$180M to \$125M.
- Further prohibits the rollover of any unused cap to the next year for tax credits granted in a final certification letter after July 1, 2025.

## Motion Picture Production Tax Credit - Act No. 44 from the 2025 R.S.

- Authorizes a tax credit of up to 40% for applications approved on or after July 1, 2025, submitted by Qualified Entertainment Companies or state-certified productions.
- Repeals prior law that authorized a project-based tax production tax credit of up to 40% and repeals the payroll tax credits for state-certified productions.
- This 40% credit requires LED to consider various discretionary factors when determining approval of these applications.

# 2024 TAX REFORM - SPECIFIC TAX INCENTIVE CHANGES

## Research and Development Tax Credit

Limits the annual amount of research and development tax credits that may be issued to \$12M each fiscal year. After the annual cap is reached, tax credit claims may rollover to the next year on a priority basis.

## Rehabilitation of Historic Structures Tax Credit

Decreases the reservation cap for Part II applications received by the Department of Culture, Recreation and Tourism from \$125M per year to \$85M per year.

## Angel Investor Tax Credit

Accelerates the termination date for granting or reserving credits from on or after July 1, 2030, to after June 30, 2025.

Act No. 515 from the 2025 R.S. prohibits the carry-forward of unused amounts beginning Jan. 1, 2026 but authorizes LED to grant credits until the balance of residual unused credits accumulated prior to Jan. 1, 2026, is exhausted.

# 2024 TAX REFORM - SPECIFIC TAX INCENTIVE CHANGES

## Sound Recording Investor Tax Credit

Prohibits credits from being allowed or granted for applications received on or after July 1, 2025.

## Retention and Modernization Act Program

Adds a termination date for the credit by prohibiting credits from being issued for applications received after June 30, 2025.

## Enterprise Zone Program

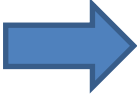
Changes the deadline for LED to accept new advance notifications from on or after July 1, 2026, to on or after July 1, 2025.

## La. Quality Jobs Program

Changes the deadline for LED to accept new advance notifications for the Quality Jobs Program from after June 30, 2026, to after June 30, 2025.

# 2024 TAX REFORM - CORPORATION FRANCHISE TAX

## Corporation Franchise Tax Changes - Act No. 6 (HB No. 3)

Corporate Franchise Tax Rates Prior to January 1, 2026			Corporate Franchise Tax Rates After January 1, 2026	
First Tier*	No tax due on the first \$300,000 of taxable capital		Repealed	
Second Tier	\$2.75 for each \$1,000 in excess of \$300,000 of taxable capital			

**\*Repeal is applicable to corporate franchise tax periods beginning on or after January 1, 2026.**

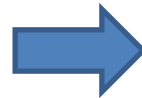
Repealed the trigger mechanism for further rate reductions if certain Corporation Income and Corporation Franchise Tax (CFT) thresholds are met.

Removes applicability of 27 specific tax credits and incentives to be claimed against the CFT but retains applicability for these incentives to be claimed against individual and corporation income.

# 2024 TAX REFORM - SALES AND USE TAX

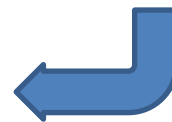
## Sales Tax Changes - Act No. 11 (HB No. 10)

La. Revised Statute	Rate prior to January 1, 2025
R.S. 47:302	2.0%
R.S. 47:321	1.0%
R.S. 47:321.1*	.45%
R.S. 47:331	.97%
R.S. 51:1286 (La. Tourism Promotion District)	.03%
<b>Total State Sales Tax Rate</b>	<b>4.45%</b>



La. Revised Statute	Rate January 1, 2025 thru December 31, 2029
R.S. 47:302	2.0%
R.S. 47:321	1.0%
R.S. 47:321.1	1%
R.S. 47:331	1%
R.S. 51:1286 (La. Tourism Promotion District)**	Repealed/0%
<b>Total State Sales Tax Rate</b>	<b>5%</b>

La. Revised Statute	Rate beginning January 1, 2030
R.S. 47:302	2.0%
R.S. 47:321	1.0%
R.S. 47:321.1	.75%
R.S. 47:331	1%
<b>Total State Sales Tax Rate</b>	<b>4.75%</b>



\* .45% levy would have terminated on June 30, 2025.

\*\* Repeals the .03% state sales tax levied in R.S. 51:1286 in favor of increasing the amount of the levy in R.S. 47:331 from .97% to 1% and provides that .03% of the avails of that levy shall be allocated to the La. Tourism Promotion District to be used for assisting the state in the promotion of tourism.

# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax Changes - Act No. 11

### Business Utilities Exemption

- Prior law exempted nonresidential uses of steam, certain water, electric power or energy, natural gas, and certain energy sources (R.S. 47:305(D)(1)(b), (c), (d), (g), and (h), hereinafter "business utilities") from 2.45% of the state's 4.45% sales and use tax.
- Beginning January 1, 2025, business utilities were exempted from 3% of the state's 5% sales and use taxes.
- Adds purchases of electric power and natural gas by paper or wood products manufacturing facilities in the category of utilities subject to the exemption.

### Vendors Compensation

- Reduces the aggregate maximum monthly amount a dealer may retain for collecting and remitting state sales and use taxes from \$1,500 per month to \$750 per month.
- Act No. 327 from 2025 R.S. authorizes the aggregate maximum monthly amount a dealer may retain for collecting and remitting local sales and use taxes as specified in local ordinances.

# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax Changes - Act No. 11

### Consolidated Exemptions

- Repeals various individual exemptions and exclusions in favor of enacting consolidated exemptions applicable to both state and local sales taxes for the following:
  - Farming and Agriculture
  - Schools and Educational Materials
  - Intergovernmental and Governmental Transactions
- Repeals various individual exemptions and exclusions in favor of enacting consolidated exemptions applicable to state sales taxes but authorizes locals to exempt these same items of tangible personal property:
  - Medical Devices and Drugs
  - Manufacturing Machinery and Equipment (MM&E)

# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax Changes - Act No. 11

### Sourcing Rules

- Establishes rules, for purposes of collecting or remitting sales or use taxes to the appropriate taxing jurisdictions, on sales of tangible personal property, digital products, and services, for determining the proper jurisdiction to which the sale is sourced.
- These provisions do not affect the imposition or computation of sales or use tax on leases or rentals based on a lump-sum or accelerated basis, or on the acquisition of property for lease.
- Provides exceptions to the general sourcing rules for vehicles and telecommunications services.
- Establishes rules for the collection of sales tax on the sales price of bundled transactions if any product included in the bundled transaction would be taxable if sold separately.
- **Effective upon signature of the governor and applicable to taxable periods beginning on and after January 1, 2025.**

# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax Changes - Act No. 11

### Telecommunications Services

- Prohibits local governments from levying a sales and use tax on telecommunications services not in effect on July 1, 1990.
- Levies an additional 5% state sales tax on all telecommunications services, cable television services, direct-to-home satellite services, video programming services, and satellite digital audio radio services in this state in lieu of any sales or use tax that would otherwise be levied and collected by local governments.
- Requires DOR to collect and administer this tax and to retain a collection fee, not to exceed 1% of the collections, for the cost of collecting the tax.
- **Effective upon signature of the governor and applicable to taxable periods beginning on and after January 1, 2025.**

# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax Changes - Act No. 384 from the 2025 R.S.

### 2025 Clean-Up and Fixes

- Added exemptions from sales taxes imposed by taxing authorities for the following:
  - Admission charges for, outside gate admissions to, or parking fees associated with events sponsored by domestic, civic, educational, historical, charitable, fraternal, or religious organizations, which are nonprofit, when the entire proceeds, except for necessary expenses, are used for educational, charitable, religious, or historical restoration purposes. (R.S. 47:305.14)
  - Purchases by certain nonprofit sickle cell disease organizations. (R.S. 305.21)
  - Sales of construction materials to Habitat for Humanity affiliates. (R.S. 47:305.22)
  - Purchases by qualifying radiation therapy treatment centers of capital equipment and of software used to operate capital equipment. (R.S. 47:305.64). Also authorizes political subdivision to extend this exemption to local sales taxes.
  - Charges for repairs when the repaired property is delivered to a common carrier or to the U.S. Postal Service for transportation outside the state or delivered outside the state by use of the repair dealer's own vehicle or by use of an independent trucker.



# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax Changes - Act No. 384 from the 2025 R.S.

### 2025 Clean-Up and Fixes

- Changes the amount of the sales tax dedication for the promotion of tourism from 0.3% of the avails of the 1% state sales tax levied pursuant to R.S. 47:331 to 3% of the avails of the 1% state sales and use tax levied pursuant to R.S. 47:331.
- Removes flooring from the list of services subject to state and local sales and use taxes.
- Provides that cable television services, direct-to-home satellite services, video programming services provided by cable television and satellite service providers, and satellite digital audio radio services shall only be subject to state sales tax.
- Exempts the lease or rental of motor vehicles by licensed motor vehicle dealers or vehicle manufacturers for their use in furnishing leased or rented motor vehicles to their customers in performance of their obligations under certain warranty agreements and the leased or rented motor vehicle is provided to the customer at no charge from sales taxes of any taxing authority.

# 2024 TAX REFORM: SALES AND USE TAX

Sales Tax Changes - Act No. 384 from the 2025 R.S.

## 2025 Clean-Up and Fixes

- Adds the purchase, lease, or rental of educational materials to items exempted from sales and use tax. Further extends the exemption for admissions to athletic and entertainment events held at schools to include public schools.
- Requires MLS services by real estate licensees and brokers to be sourced to the location of the licensee's or broker's La. regional real estate association office.
- Extends the sales tax exemption for digital products used by licensed healthcare facilities and providers to computer software or prewritten computer software access services used by licensed healthcare facilities and providers for storing or transmitting healthcare information or for the diagnosis or treatment of a medical condition.
- Extends the state sales tax exemption for the sale, purchase, lease, or importation of motor vehicles, trailers, or semitrailers used in this state exclusively for lease or rental, provided the gross proceeds derived from the lease or rental of the property not previously taxed is at reasonable market rates to local taxes.

# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax Changes - Act No. 384 from the 2025 R.S.

### 2025 Clean-Up and Fixes

- Authorizes political subdivisions to exempt certain medical supplies from local sales taxes that are exempt from state sales taxes.
- Extends the state and local sales tax exemption for materials and supplies purchased by the owners or operators of certain ships, barges, or vessels to software, digital goods, prewritten computer software access services, and certain information services.
- Authorizes a political subdivision to provide for optional local sales tax exemptions but requires the political subdivision to adopt all of the definitions, exemptions, and limitations included in the state sales tax statute.
- Limits the state and local sales taxes levied on boats registered in La. from exceeding \$20,000 after application of the credits provided for in existing law if the tax is paid within 90 days of purchase. If the aggregate state and local sales and use tax on a boat would have equaled an amount exceeding \$20,000, the actual tax collected shall be divided equally between state and local taxing authorities.

# 2024 TAX REFORM: SALES AND USE TAX

Sales Tax Changes - Act No. 384 from the 2025 R.S.

## 2025 Clean-Up and Fixes

- Extends the state and local sales tax exemption for purchases and leases of certain items or services by regionally accredited independent higher education institutions which are members of the La. Association of Independent Colleges and Universities to purchases and rentals by the Edward Via College of Osteopathic Medicine.
- Extends the sales tax exemption for governmental transactions to purchases made by general contractors or their subcontractors related to work performed pursuant to construction contracts for public projects for state and local governments or to any agency, board, commission or instrumentality of the state or its political subdivisions.
  - For purposes of state sales taxes, the exemption shall not apply to purchases made as part of a PILOT or other similar agreement, unless the agreement is approved by DOR and LED.
  - Requires the general contractor or their subcontractor to obtain a certificate of exemption from DOR prior to claiming the exemption.

# 2024 TAX REFORM: SALES AND USE TAX

## Digital Products and Digital Services - Act No. 10 (HB No. 8)

Imposes sales and use taxes on the following:

- Digital audiovisual works
- Digital audio works
- Digital books
- Digital codes
- Digital applications and games
- Digital periodicals and discussion forums
- Any other otherwise-taxable property that is transferred electronically (*for example, products that are streamed or otherwise digitally delivered*)

# 2024 TAX REFORM: SALES AND USE TAX

## Digital Products and Digital Services - Act No. 10

- Creates a "business use exemption" that exempts certain businesses from paying sales tax on digital products and services that they acquire for commercial use
- Grants the business use exemption to financial institutions, healthcare providers, insurance companies, and businesses that use digital products in producing taxable goods and services

***Sales and use tax will apply to taxable digital products and digital services beginning Jan. 1, 2025***

# 2024 TAX REFORM: SALES AND USE TAX

## **WHAT *DIDN'T* PASS?**

HLS 243ES-18

**ENGROSSED**

2024 Third Extraordinary Session

HOUSE BILL NO. 9

BY REPRESENTATIVE RISER

TAX/SALES & USE: Provides for sales and use tax on certain services (Items #8 and 13)

# 2024 TAX REFORM: SALES AND USE TAX

## Sales Tax on Additional Services - House Bill No. 9 (did not pass)

- Would have imposed sales tax on 41 services that are not taxable today.
- From the HB 9 Fiscal Note:

*“Assuming current-law tax rates, high compliance, and 7% of relevant purchases being made by untaxable government entities, these figures imply a range of [annual] collections on taxable sales of \$485-\$670 million.”*

- The bill was reported by the House Committee on Ways and Means but was not brought to a vote on the House floor.

# 2024 TAX REFORM: PROPOSED CONSTITUTIONAL CHANGES

## Property Tax - Act No. 1 (HB No. 7)

- Would have authorized parishes to reduce the percentage levy of ad valorem tax (property tax) on business inventory.
- Would have prohibited the legislature from enacting any law requiring any taxing authority to exempt business inventory from property tax.
- Would have required the enactment by law, by  $\frac{3}{4}$  vote, to exempt property from property tax; and would have required  $\frac{2}{3}$  vote by the legislature to change any exemption once enacted

## Individual Income Tax - Act No. 1 (HB No. 7)

- Would have reduced the maximum allowable individual income tax rate from 4.75% to 3.75%
- Would have granted persons aged 65 or older an increased standard deduction

## Sales Tax - Act No. 1 (HB No. 7)

Would have required new sales and use tax exemptions enacted after January 1, 2026, to apply to both the state and political subdivisions (local governments)

## All Tax Types - Act No. 1 (HB No. 7)

- Would have established a new requirement that any tax exemption, exclusion, deduction, or rebate - or an increase in the amount of any of those tax preferences - be enacted by a two-thirds vote of the legislature

*The constitutional amendment proposed in Act No. 1 was on the ballot of the March 29, 2025, statewide election and was defeated by a vote of 65% against and 35% in favor.*

# 2024 TAX REFORM - AD VALOREM PROPERTY TAX

## Property Tax Changes - Act No. 12 (HB No. 11)

### Optional Exemption of Business Inventory from Ad Valorem Taxes

- Would have added an optional tax exemption for items constituting business inventory, including goods which are held for sale and goods in production or for ultimate consumption in the production of goods or services for sale.
- Would have required the sheriff, school board, and the parish governing authority to agree to exempt business inventory from property tax.
- Would have required the exemption election to be evidenced in writing and to indicate if the parish will implement the full exemption immediately or over a period not to exceed five years.
- Would have required that the election be made no later than July 1, 2026, and that the election was applicable to taxable periods beginning on or after January 1, 2026. Further stipulated that the parish's election to exempt business inventory was irrevocable.
- Would have required the tax collector of each parish electing to exempt business inventory from taxation to distribute the payment received from the state on a pro rata basis to each taxing authority within the parish that levies property tax. Further would have required the treasurer to disburse monies to the collector within 30 days of receiving certification from DOR that the parish elected to irrevocably exempt business inventory from property tax.

## Property Tax Changes - Act No. 12 (HB No. 11)

### Optional Reduction in the Percentage of Fair Market Value (FMV)

#### Assessed on Business Inventory

- Would have authorized a parish to reduce the percentage of FMV applicable to business inventory if approved by the parish's sheriff, school board, and parish governing authority.
- The assessment of business inventory at 15% of its FMV is provided for in the state constitution.
- Would have required the election to be sent in writing to the La. Tax Commission and the parish tax assessor along with the new percentage of FMV applicable to business inventory in the parish and the taxable periods to which the reduction would have applied.
- Would have required any decrease in the total amount of property tax collected by the taxing authority as a result of the reduction to be absorbed by the taxing authority and no additional tax liability should be created as a result of a subsequent reappraisal valuation or millage adjustment.

# 2024 TAX REFORM - AD VALOREM PROPERTY TAX

## Property Tax Changes - Act No. 12 (HB No. 11)

Property tax exemptions in Article VII, Section 21 of the present constitution were removed from the constitution and enacted into statutory law with the exception of the following exemptions which were maintained in the constitution:

- Exemption for property owned by a nonprofit operated exclusively for religious purposes as a house of worship, residential housing for clergy, priests, or nuns, or a seminary or other educational institution training individuals for religious ministry.
- The homestead exemption.
- An exemption for property owned and occupied by a veteran with a service-connected disability rating. The amount of the exemption ranges from \$25,000 for a veteran with a disability rating of 50% or more but less than 75% by the U.S. Dept. of Veterans Affairs; \$40,000 for a veteran with a service-connected disability rating of 70% or more but less than 100% by the U.S. Dept. of Veterans Affairs; and an exemption of 100% of property taxes for a veteran with a service-connected disability rating of 100% unemployability or totally disabled by the U.S. Dept. of Veterans Affairs.

# 2024 TAX REFORM - AD VALOREM PROPERTY TAX

## Property Tax Changes - Act No. 12 (HB No. 11)

- Provisions relative to the homestead exemption which are in the present constitution are maintained in the constitution.
- Provisions relative to the special assessment level which are in the present constitution are maintained in the constitution but also added to statutory law.
- Provisions concerning the adjustment of ad valorem millages were removed from the present constitution and enacted into statutory law.
- **Effectiveness of this bill was tied to adoption of the proposed amendment that was on the ballot for the March 29, 2025, statewide election and was defeated by a vote of 65% against and 35% in favor.**

## Constitutional Amendment - Act No. 221 (HB No. 366)

### Optional Exemption of Business Inventory from Property Tax

- Adds an optional tax exemption for items constituting business inventory, including goods which are held for sale and goods in production or for ultimate consumption in the production of goods or services for sale.
- Provides that the parish may elect to exempt property constituting business inventory or may elect to provide for a partial exemption of property constituting business inventory by reducing the percentage of FMV applicable to such property.
- Requires the sheriff, school board, and the parish governing authority to agree to exempt business inventory from property tax.
- Prohibits the legislature from enacting any law that mandates any taxing authority to exempt business inventory from property tax.
- Establishes a one-time payment from the Revenue Stabilization Fund to each parish that elects to irrevocably exempt business inventory from property tax.
- Establishes business inventory and Public Service property, excluding land, owned by a railroad company as separate classifications of property for purposes of property tax and the percentage of FMV applicable to each classification for the purpose of determining assessed valuation.
- **The constitutional amendment proposed in Act No. 221 of the 2025 R.S. will appear on the ballot in the May 16, 2026, statewide election.**

## Property Tax Changes - Act No. 357 (HB No. 365)

### Optional Exemption of Business Inventory from Property Tax

- Authorizes an optional property tax exemption on items constituting business inventory.
- Requires the election be evidenced in writing and shall indicate if the parish will exempt:
  - 1) 100% of business inventory immediately
  - 2) 100% of business inventory over a period of time, or
  - 3) A portion of business inventory by reducing the percentage of FMV applicable to the property.
- Requires the sheriff, school board, and the parish governing authority to all elect to exempt business inventory from property tax.

## Full Exemption of Business Inventory - Act No. 357 (HB No. 365)

- Provides for a payment to parishes that elect (prior to July 1, 2027) to exempt business inventory from property tax as follows:
  - Parishes that elect to exempt 100% of business inventory and implement the exemption immediately receive a payment equal to the greater of 3X the amount of property taxes collected on business inventory within the parish for the 2026 tax year or \$1M. However, the maximum amount a parish may receive shall not exceed \$15M.
  - Parishes that elect to phase-in an exemption of 100% of business inventory over a period not to exceed five years shall receive a payment equal to the greater of the amount of property taxes collected on business inventory within the parish for the 2026 tax year or \$500,000. However, the maximum amount a parish may receive shall not exceed \$10M.
  - Parishes that elect to exempt business inventory from property tax on or after July 1, 2027, shall not be eligible for any payment.
- Requires the treasurer to disburse monies to the collector within 30 days of receipt of a certification from the secretary of DOR that the parish has irrevocably elected to exempt 100% of business inventory from property tax.

## Full Exemption of Business Inventory - Act No. 357 (HB No. 365)

- Requires the tax collector of each parish receiving a payment to distribute the monies received from the treasurer on a pro rata basis to each taxing authority that levies a property tax within the parish.
- Prohibits property for which an exemption has been claimed to be treated as taxable property for purposes of any subsequent reappraisals and valuation for millage adjustment purposes.
- Requires any decrease in the total amount of property tax collected by a taxing authority as a result of this exemption to be absorbed by the taxing authority and prohibits the creation of any additional tax liability for taxpayers in the taxing district as a result of any subsequent reappraisal and valuation or millage adjustment.
- Prohibits implementation of an exemption from triggering or causing a reappraisal of property or a millage adjustment.

## Partial Exemption; Percentage of FMV Adjustment - Act No. 357 (HB No. 365)

- Allows a parish to elect to partially exempt business inventory by reducing the percentage of FMV applicable to property considered business inventory established in the constitution.
- Requires the election by a parish to reduce the percentage of FMV applicable to business inventory to be irrevocable and prohibits the increase in the percentage of FMV once it has been reduced in a parish.
- Prohibits a parish from reducing the percentage of FMV of business inventory more than once an assessment period.
- Prohibits the percentage of FMV applicable to business inventory from being higher than the percentage applicable to business inventory pursuant to the state constitution.
- Requires the partial exemption reducing the percentage of FMV applicable to business inventory be evidenced in writing and be submitted to the La. Tax Commission and the appropriate tax assessor within 10 calendar days of the execution of the agreement to reduce the percentage of FMV applicable to business inventory.

## Partial Exemption; Percentage of FMV Adjustment - Act No. 357 (HB No. 365)

- Requires the written documentation to contain the new percentage of FMV applicable to business inventory in the parish and indicate the effective date of the reduced percentage.
- Requires the La. Tax Commission to include all written notifications received from parishes indicating a reduction of the percentage of the FMV to business inventory in the commission's annual reports.
- Allows a parish to elect to partially exempt business inventory by reducing the percentage of FMV applicable to property considered business inventory established in the constitution.
- Requires any decrease in the total amount of property tax collected by a taxing authority as a result of this exemption to be absorbed by the taxing authority and prohibits the reduction from creating any additional tax liability for taxpayers in the taxing district as a result of any subsequent reappraisal and valuation or millage adjustment.
- Prohibits implementation of an exemption from triggering or causing a reappraisal of property or a millage adjustment.
- Applies to property tax years beginning on or after 2026.
- **Effectiveness of this bill is tied to adoption of the proposed amendment to Art. 7 of the Constitution contained in Act No. 221 of the 2025 R.S. at a statewide election on May 16, 2026.**

**Federal Tax Updates - One  
Big Beautiful Bill Act  
(PL 119-21)**

# ONE BIG BEAUTIFUL BILL ACT PROVISIONS

## Income Tax, Credits and Deductions

- Inflation adjustments
- Permanence of tax rates, increased standard deduction, and elimination of personal exemptions
- Deduction for seniors
  - \$6,000 deduction with phaseout
- No tax on tips
  - Max annual deduction of \$25,000
- No tax on overtime
  - Max annual deduction of \$12,500
- SALT deduction changes
- Itemized deductions and charitable contributions
- No tax on car loan interest
- Enhancement of adoption credit

## Business Credits and Deductions

- Permanence of the qualified business income deduction
- Reinstatement of 100% first-year “bonus depreciation
- Expansion of business interest deduction and modification to excess business loss calculation.
- Expansion of qualified small business stock exclusion
- No tax on car loan interest business reporting obligations and transitional relief for 2025
- Limitations on credits and refunds for the COVID-related Employee Retention Credit

## Clean Energy

- Expiring Clean Energy Vehicle Credits - sunset for acquisitions after Sept. 30, 2025
  - New Clean Vehicle Credit
  - Used Clean Vehicle Credit
  - Qualified Commercial Clean Vehicle Credit
- Expiring Home Energy Credits
  - Energy Efficient Home Improvement Credit
  - Residential Clean Energy Credit

# ONE BIG BEAUTIFUL BILL ACT PROVISIONS

## Employee Benefits

- Enhancement of paid Family and Medical Leave credits
- New ACA requirements for eligibility verification
- Limitations on credits and refunds for the COVID-related New restrictions on Employee Retention Credit (ERC)

## International Tax

- Adjustments and modifications to the applicable rules for foreign tax credits, foreign-derived intangible income (FDII), global intangible low-tax income (GILTI), and base erosion anti-abuse tax (BEAT)
- Changes rate of tax for FDII to 33.34%, GILTI to 40% and BEAT to 10.5%
- Modifies the determination of deemed paid credit for taxes properly attributable to “tested income” under subpart F inclusions from 80% to 90%
- Permanently extends the look-thru rule for related controlled foreign corporations

## Individual, Parent, & Family

- Trump Child Savings Accounts
- Child and Dependent Care Credit expansion
- Employer contributions to student loans
- Educator Expense Deduction expansion
- Tax credit for contributions to scholarship funds
- Increases the state housing credit ceiling amount = increased low-income housing credits

# ONE BIG BEAUTIFUL BILL ACT PROVISIONS

## Investment and Community Development

- Permanent renewal and enhancement of opportunity zones
  - Certain economically distressed census tracts in the United States are designated as Qualified Opportunity Zones. Taxpayers who invest in QOZs receive certain tax benefits for their investments as an incentive to improve economic growth and job creation in these underserved communities.
  - Act defines rural area to mean any area other than a city or town with a population greater than 50,000, and any urbanized area contiguous and adjacent to a city or town with a population greater than 50,000.
  - Act reduced the substantial improvement threshold for improvements to property located in a QOZ that is comprised entirely of a rural area from 100 percent to 50 percent.

## Tax Exempt Entities, Charitable Deductions and Giving

- Act recognizes Indian tribal governments for purposes of determining whether a child has special needs for purposes of the adoption tax credit.
  - Provides parity to Indian tribal governments, giving tribal governments the same ability as state governments to determine whether a child has special needs for the purposes of the adoption tax credit.
  - When a child is deemed special needs by a state or tribal government, the adoptive family becomes eligible, subject to income limitations, for the full adoption tax credit (\$17,280 per eligible child in 2025) for the tax year the adoption becomes finalized, regardless of the amount of qualified adoption expenses actually paid or incurred for the adoption.