DIGEST

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HB 355 Engrossed 2017 Regular Session Ivey

Abstract: Provides generally relative to state taxes.

Relative to individual income tax (Sections 2, 3 and 4 of the Act):

Present law provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at the following rates:

(1) 2% on the first $12,500 of net income;

(2) 4% on the next $37,500 of net income;

(3) 6% on net income in excess of $50,000.

Proposed law reduces individual income tax rates as follows:

(1) From 2% on the first $12,500 of net income to 0% on the first $12,500 of net income.

(2) From 4% on the next $37,500 of net income and 6% on net income in excess of $50,000 to 4% on net income in excess of $12,500.

Present law provides that in cases where taxpayers file a joint return of husband and wife, the combined tax shall be twice the combined tax of single filers.

Proposed law retains present law.

Present law provides that all personal exemptions and deductions for dependents allowed in determining federal income tax liability shall be allowed in determining La. tax liability. Further provides for a combined personal exemption of $4,500 for single, individual filers, $9,000 for married, joint filers, $4,500 for married, separate filers, and $9,000 for filers who are the head of household.

Proposed law repeals present law.

Present law authorizes a credit of $400 for each dependent who meets certain criteria.

Proposed law repeals present law.

Present law authorizes an additional deduction of $1,000 for each allowable exemption in excess of those required to qualify for the exemption allowable under present law.

Proposed law repeals present law.

Present law requires the secretary to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that does not exceed $250. Further requires the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemption deductions in present law which is deducted from the 2% bracket. If the combined exemptions and deductions exceed the 2% bracket, the excess is deducted from the 4% bracket, and then the 6% bracket.

Proposed law deletes the provisions authorizing the combined personal exemption, standard deduction, and other exemption deductions to be deducted from the income tax brackets.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Excess federal itemized personal deductions is defined to mean 100% of the amount by which the federal itemized personal deductions exceed the amount of federal standard deduction designated for the filing status used for the taxable period on the individual income tax return.

Proposed law changes present law to limit the deduction to charitable contributions in excess of the first $12,500 of excess federal itemized personal deductions for single filers and $25,000 for taxpayers filing joint returns.

Present law provides for an individual income tax credit in an amount equal to 3.5% of the amount of the taxpayer's federal earned income tax credit authorized under Section 32 of the Internal Revenue Code.

Proposed law increases the amount of the state credit from 3.5% to 7% of the federal tax credit.

Proposed law with respect to the reduction in the individual income tax rate to a flat 4% rate shall be effective on Jan. 1, 2018. Proposed law provides for the further reduction of the flat individual income tax rate from 4% to a flat rate of 3% if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 356 of the 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective.

Modifies certain income and corporation franchise tax credits and repeals certain income and corporation franchise tax credits (Section 5 of the Act).

Present law (R.S. 47:6006) provides for an income or corporation franchise tax credit for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors, and retailers and on natural gas held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities.

Present law requires full refundability of any amount in excess of the taxpayer's state tax liability for taxpayers whose total payments of ad valorem tax eligible for the credit is less than $500,000 and for taxpayers formed or first registered to do business in La. after April 1, 2016, whose payments of ad valorem taxes paid to all political subdivisions was less than $10,000.

Present law requires that 75% of any amount in excess of the taxpayer's state tax liability be refunded and the remaining 25% be carried forward as a credit against subsequent tax liability for five years for the following taxpayers:

(1) Taxpayers whose total payments of ad valorem tax eligible for the credit is at least $500,000, but less than or equal $1,000,000.

(2) Taxpayers first registered to do business in La. after April 1, 2016, and whose total payments of ad valorem tax is at least $10,000 or more, but no more than $1,000,000.

Present law requires that, for taxpayers whose total payments of ad valorem tax eligible for the credit is $1,000,000 or more, 75% of the first $1,000,000 of excess credit be refunded and the remaining amount be carried forward as a credit against subsequent tax liability for five years.

Present law requires that, 75% of the first $1,000,000 of excess credit be refunded and the remaining amount be carried forward as a credit against subsequent tax liability for five years.

Present law requires taxpayers that are members of a federal consolidated group combine their ad valorem taxes paid in order to determine the amount of the excess credit that is refundable.

Proposed law changes present law and makes the excess credit for any taxpayer nonrefundable. Further requires the remaining amount be carried forward as a credit against subsequent tax liability for five years.

Present law defines "manufacturer" as one of the following:

(1) A person engaged in the business of working raw materials into wares suitable for use or which give new shapes, qualities, or combinations to matter which already has gone through some artificial process.

(2) A person who meets the qualifications of (1) and who claimed the ad valorem exemption under present constitution during the taxable year in which the local inventory taxes were levied.

Proposed law repeals the portion of present law defining a manufacturer as one who claimed the ad valorem exemption under present constitution during the taxable year in which the local inventory taxes were levied.

Present law requires any excess credit claimed by a manufacturer who received an ad valorem tax exemption under present constitution to be carried forward as a credit against subsequent tax liability for five years. This carryforward requirement is applicable to all related parties, affiliates, subsidiaries, parent companies, or owners of the manufacturer that held inventory related to the business of the manufacturer.

Proposed law repeals present law.

Present law (R.S. 47:6007) provides for an income tax credit for La. taxpayers for investment in state-certified productions earned at the time expenditures are made by a motion picture production company in a state-certified production.

Present law caps the total aggregate amount of claims against state income tax allowed on returns for tax credits or transfers of tax credits to the office of entertainment industry development at $180 million each fiscal year for FY 2015-2016, 2016-2017, and 2017-2018. Claims for credits or transfers shall be allowed on a first-come-first-served basis.

Proposed law extends the $180 million cap established in present law to each fiscal year through FY 2024-2025. Further reduces the cap as follows:

(1) FY 2025-2026: $135 million

(2) FY 2026-2027: $90 million

(3) FY 2027-2028: $45 million

Proposed law prohibits any new productions being approved by the office or the secretary of the Dept. of Economic Development on or after July 1, 2028.

Present law provides for the following income and corporation franchise tax credits:

(1) R.S. 47:34 Corporation tax credit

(2) R.S. 47:297(H) Reduction to tax due for small town doctors

(3) R.S. 47:297.6 Credit for rehabilitation of residential structures

(4) R.S. 47:3201 et seq. Industrial Tax Equalization Program

(5) R.S. 47:4301 et seq. Exemptions for manufacturing establishments

(6) R.S. 47:6005 Qualified new recycling manufacturing equipment and service contracts

(7) R.S. 47:6009 Louisiana Basic Skills Training Tax Credit

(8) R.S. 47:6012 Employer tax credits for donations of materials, equipment, advisors, or instructors

(9) R.S. 47:6019 Credit for rehabilitation of historic structures (commercial)

(10) R.S. 47:6020 Angel Investor tax credit program

(11) R.S. 47:6023 Sound recording investor tax credit

(12) R.S. 47:6025 Credit for La. Citizens Property Insurance Corp. assessment

(13) R.S. 47:6034 Musical and theatrical production income tax credit

(14) R.S. 47:6035 Credit for conversion of vehicles to alternative fuel usage

(15) R.S. 51:2354 Technology commercialization credit

(16) R.S. 51:2399.3 Modernization tax credit

Present law (R.S. 47:34) provides for an income tax credit to be used against the tax liability of corporate income taxpayers who generate new full-time and part-time jobs in the state. This tax credit is allowed in lieu of any tax exemptions granted pursuant to the Louisiana Enterprise Zone Act, any ad valorem property tax exemptions for business or industry, or any ad valorem tax exemption allowed through the State Board of Commerce and Industry pursuant to La. Const. Art. VII, §21(F). The credit is equal to the number of new employees multiplied by varying amounts.

Present law (R.S. 47:297(H)) provides for an income tax credit for certain medical doctors and dentists who practice in designated rural areas.

Present law (R.S. 47:297.6) provides for an income tax credit for individual income tax for the amount of eligible costs and expenses incurred during the rehabilitation of an owner-occupied residential or owner-occupied mixed use structure located in certain specific locations.

Present law (R.S. 47:3201 et seq.) authorizes the Board of Commerce and Industry to enter into tax equalization contracts with manufacturing establishments, headquarters, or warehousing and distribution establishments exempting the business from state corporation franchise tax, corporation income tax, certain sales and use tax, or any other tax imposed by the state for which the business is liable.

Present law (R.S. 47:4301 et seq.) authorizes the Board of Commerce and Industry to enter into contracts with manufacturing industries, business headquarters, and warehousing and distribution establishments exempting the business from state corporation franchise tax, corporation income tax, certain sales and use tax, or any other tax imposed by the state for which the business is liable if the business is considering establishing its business in another state because the other state has a more favorable tax structure than La.

Present law (R.S. 47:6005) provides an income tax or corporation franchise tax credit for taxpayers who purchase qualified new recycling manufacturing or process equipment or qualified service contracts to be used or performed exclusively in the state.

Present law (R.S. 47:6009) provides for an income or corporation franchise tax credit for a La. business or industry that supports and encourages employee basic skills training by satisfying criteria established in present law and that submit proper and complete applications.

Present law (R.S. 47:6012) provides for an income and corporation franchise tax credit for employers within the state to donate materials, equipment, or instructors to public training providers registered with the La. Workforce Commission, or community colleges to assist in the development of training programs designed to meet industry needs.

Present law (R.S. 47:6019) provides for an income or corporation franchise tax credit for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development district or a cultural district.

Present law (R.S. 47:6020) provides for an income tax credit for qualifying individual or entities that invest in a La. Entrepreneurial Business. This income tax credit is known as the Angel Investor tax credit.

Present law (R.S. 47:6023) provides for an income or franchise tax credit for La. taxpayers for investment in state-certified productions for sound recordings earned at the time expenditures are made on a state-certified production.

Present law (R.S. 47:6025) provides an income tax credit against La. income tax for 25% amount of surcharges, market equalization charges, or assessments paid by a taxpayer for the La. Citizens Property Insurance Corporation assessments due to Hurricanes Katrina and Rita.

Present law (R.S. 47:6034) provides for an individual or corporate income tax credit for qualified production expenditures on investments in a state-certified musical or theatrical production or infrastructure project.

Present law (R.S. 47:6035) provides for an income tax credit for qualified clean-burning motor vehicle fuel property purchased and installed on certain motor vehicles.

Present law (R.S. 51:2354) provides an income and corporation franchise tax credit for investments by the taxpayer in commercialization costs for certain business locations.

Present law (R.S. 51:2399.3) provides for an income or corporation franchise tax credit for amounts of qualified expenditures incurred by an employer for modernization.

Proposed law repeals present law.

Relative to corporate and income tax (Section 6 of the Act):

Limits applicability, extends the carry over period, and changes the order of the loss year for the net operating loss deduction to corporate income and repeals the deduction for I.R.C. 280 wage expenses.

Present law provides for a deduction from corporate income tax for 72% of the amount of net operating loss (NOL) incurred in La., but prohibits the amount of the deduction from exceeding 72% of the value of La. net income. Any amount of net operating loss in excess of the amount that may be deducted may be carried over to each of the 20 taxable years immediately following the tax year of the loss.

Proposed law increases the number of taxable years any excess net operating loss may be carried over from 20 years to 30 years for taxable years beginning on or after Jan. 1, 2018.

Present law requires net operating loss to be applied for purposes of reducing La. net income in order of the year of the loss, beginning with the most recent taxable year.

Proposed law changes present law by requiring net operating loss from the earliest tax year to be applied first.

Proposed law changes the amount of the deduction that may be applied against the taxpayer's tax liability as follows:

(1) If the taxpayer has $250 million or more of available NOL, the amount of the deduction shall not exceed 50% of the taxable income prior to application of the NOL.

(2) If the taxpayer has at least $100 million, but less than $250 million, of available NOL, the amount of the deduction shall not exceed 60% of the taxable income prior to application of the NOL.

(3) If the taxpayer has at least $50 million, but less than $100 million, of available NOL, the amount of the deduction shall not exceed 70% of the taxable income prior to application of the NOL.

(4) If the taxpayer has at least $25 million, but less than $50 million, of available NOL, the amount of the deduction shall not exceed 80% of the taxable income prior to application of the NOL.

(5) If the taxpayer has at least $10 million, but less than $25 million, of available NOL, the amount of the deduction shall not exceed 90% of the taxable income prior to application of the NOL.

(6) If the taxpayer has less than $10 million of available NOL, the amount of the deduction shall not exceed the amount of taxable income prior to application of the NOL.

Present law provides for a deduction from corporate income tax expenses disallowed under I.R.C. Section 280C. Further requires a taxpayer who elects to claim certain credits that are based on an expense to reduce the federal deduction for the expense by the dollar amount of the credit claimed.

Proposed law repeals present law.

Relative to severance tax (Section 7 of the Act):

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed. The severance tax rate for oil is 12.5% of value The severance tax rate for natural gas is a minimum of 7¢ per 1,000 cubic feet but is subject to an annual rate adjustment based on the prior year's price of natural gas. The severance tax rate for distillate, condensate, or similar natural resources severed from the soil or water either with oil or gas is 12.5% of value.

Proposed law changes present law by reducing the tax rate on oil from 12.5% to 8% of value, and reducing the tax rate on distillate, condensate, or similar natural resources severed from the soil or water either with oil or gas from 12.5% to 8% of value.

Present law establishes an exemption from severance tax for oil production from a horizontally drilled well or horizontally drilled recompletion well that commences production on or after July 1, 2015. The duration of the exemption is 24 months or until payout, whichever occurs first. The amount of the exemption is based upon the price of oil as determined by the secretary of the Dept. of Natural Resources on July 1st of each year for the ensuing 12 months based on the average New York Mercantile Exchange prices per barrel from the previous 12 months. The amount of the exemption for a horizontally drilled well or recompletion well that produces oil shall be as follows:

(1) 100% if the price of oil is at or below $70 per barrel.

(2) 80% if the price is above $70 and at or below $80 per barrel.

(3) 60% if the price is above $80 and at or below $90 per barrel.

(4) 40% if the price is above $90 and at or below $100 per barrel.

(5) 20% if the price is above $100 and at or below $110 per barrel.

(6) No exemption if the price of oil exceeds $110 per barrel.

Present law establishes an exemption from severance tax for natural gas production from a horizontally drilled well or horizontally drilled recompletion well that commences production on or after July 1, 2015. The amount of the exemption is based upon the price of natural gas as determined by the secretary of the Dept. of Natural Resources on July 1st of each year for the ensuing 12 months based on the average New York Mercantile Exchange prices per million BTU per month from the previous 12 months. The amount of the exemption for a horizontally drilled well or recompletion well that produces natural gas shall be as follows:

(1) 100% if the price of natural gas is at or below $4.50 per million BTU.

(2) 80% if the price is above $4.50 per million BTU and at or below $5.50 per million BTU.

(3) 60% if the price is above \$5.50 per million BTU and at or below \$6 per million BTU.

(4) 40% if the price is above \$6 per million BTU and at or below \$6.50 per million BTU.

(5) 20% if the price is above \$6.50 per million BTU and at or below \$7 per million BTU.

(6) No exemption if the price of natural gas exceeds \$7 per million BTU.

Proposed law changes present law by extending the duration of the exemption from 24 months or until payout to 60 months or until payout. The amount of the exemption is changed from a variable amount based on the price of the commodity to 50% of the tax rate.

Proposed law specifies that the exemption for horizontal drilling does not apply to a well certified by the Dept. of Natural Resources as an incapable or stripper well.

Effective Sept. 1, 2017.

Relative to certain state rebate programs and prohibits compensation of a dealer (a/k/a "vendor") for the collection, accounting, and remittance of state sales and use taxes (Section 8 of the Act):

Present law imposes a 4% state tax upon the sale, use, consumption, storage, or rental of certain tangible personal property and certain services.

Present law requires that a dealer either monthly or quarterly transmit to the Dept. of Revenue a tax return showing the gross sales, gross proceeds from lease or rental, gross payments for lease or rental, gross proceeds derived from sales of services, or gross payments for services, arising from all of their taxable transactions during the preceding calendar month.

Present law authorizes a dealer to retain an amount equal to 0.935% of the taxes remitted as compensation for collection and administration of the state tax. Limits the amount of vendor's compensation to \$1,500 per calendar month.

Proposed law changes present law and prohibits compensation for the state sales and use taxes accounted for and remitted pursuant to present law.

Present law (R.S. 47:6351) authorizes the secretary of the Dept. of Economic Development (DED) to enter into a contract with a procurement processing company which recruits purchasing companies to La. for incentive rebate payments (hereinafter "rebates") in exchange for the generation of new state tax revenue from new taxable sales. Further requires the secretary of the Dept. of Revenue (DOR) to pay rebates from the state tax revenue generated by the new taxable sales occurring in La. as a result of the operation of a procurement processing company in La.

Present law (R.S. 51:1781 et seq.) establishes the enterprise zone program through which businesses may enter into contracts with the Board of Commerce and Industry to receive income tax credits or sales and use tax rebate payments in exchange for the creation of a certain number of jobs that involve employees who meet certain residency and other requirements.

Present law (R.S. 51:2365 and 2367) establishes La. Mega Project Energy Assistance Rebate and the authorizes the secretary of the Dept. of Economic Development to grant a rebate of severance taxes paid on natural gas to certain mega-projects when the secretary has determined that the consumption of energy will be a major cost component of the operation of the project.

Present law (R.S. 51:2451 et seq.) establishes the Quality Jobs Program, which authorizes the granting of contracts by the Board of Commerce and Industry to businesses for the purposes of providing rebates and tax credits for the achievement of certain performance by the business. The term of the contract is five years.

Present law (R.S. 51:3111 et seq.) establishes the Corporate Headquarters Relocation Program, which grants to a "qualified business" a contract to receive a relocation rebate to relocate or expand its "headquarters" in La.

Present law (R.S. 51:3121) establishes the Competitive Projects Payroll Incentive Program through which businesses may contract with the Dept. of Economic Development for receipt of rebate payments in exchange for the creation of jobs. The contract provides for three different rebates: a rebate based on the amount of new payroll, a sales and use tax rebate for taxes paid, and a rebate equal to a percentage of the amount of certain qualified capital expenditures associated with a facility utilized in the performance of the contract.

Proposed law repeals present law.

Relative to corporate income tax rate (Sections 9, 10, and 11 of this Act):

Present law provides that the tax to be assessed, levied, collected, and paid on the La. taxable income of every corporation shall be computed at the following rates:

(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 changes present law by deleting the graduated schedule of rates dependant on the amount of taxable income of the taxpayer in favor of a flat 6.5% rate. Further expands the levy of this tax to "business income" and makes it applicable to business entities such as partnerships.

Present law provides for an exemption from corporate income for partnerships but requires partnerships with members who are not individuals or not residents of La. to file a partnership return of income.

Proposed law repeals present law thereby making income earned by partnerships subject to the flat business income tax in proposed law.

Present law provides for the filing of composite returns for nonresident partners and members as well as the tax treatment of income earned by partners, partnership computations, distributive shares, and the determination of a partner's interest for purposes of calculating income tax liability.

Proposed law repeals present law.

Present law provides for the levy, collection, and payment for each taxable year a tax on the La. taxable income of corporations and other entities taxed as corporations, for federal income tax purposes.

Proposed law retains present law but clarifies that the corporate income tax shall apply to corporations and entities taxed as corporations and includes all corporations and entities required to file federal form 1065 relative to U.S. return of partnership income.

Present law requires that income earned by corporations classified under Subchapter S provisions of federal law shall be taxed and required to comply with provisions of present law the same as any other corporation if the S corporation had been required to file an income tax return with the I. R. S. as a C corporation for the current and all prior taxable years in accordance with federal law.

Present law provides for an exclusion from corporate income tax for corporations classified as S corporations under federal law for the taxable year. Further provides that in computing La. taxable income, an S corporation may exclude the percentage of its La. net income for the taxable year.

Present law provides for a formula for the calculation of the percentage of La. net income that is not subject to La. corporate income tax.

Proposed law repeals the present law S corporation exclusion thereby making this income subject to the flat income tax levied on business income as provided for in proposed law.

Present law defines the "gross income" of a corporation as the same items and the same dollar amount required by federal law to be reported as gross income on the corporation's federal income tax return for the same taxable year, subject to the modifications specified in present law whether or not a federal income tax return is actually filed.

Proposed law retains present law but clarifies that for entities required to file federal form 1065, U.S. return of partnership income, "gross income" shall mean the sum of lines one through eleven that is reportable in Schedule K, subject to the modifications specified in present law whether or not a federal income tax return is actually filed.

Present law defines "adjusted gross income" for any individual for any taxable year as the gross income of the individual for the taxable year that is reportable on the individual's federal income tax return.

Proposed law retains present law but eliminates any income or losses subject to corporate or business taxes pursuant to present and proposed law.

Applicable to all tax years beginning on and after Jan. 1, 2018.

Proposed law with respect to the reduction in the corporate income tax rate to a flat 6.5% rate shall be effective on Jan. 1, 2018. Proposed law provides for the further reduction of the flat corporate income tax rate from 6.5% to a flat rate of 6% if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 356 of the 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective.

Relative to corporate franchise tax (Section 12 of the Act):

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

Present law levies the corporation franchise tax on a corporation when any of the following occurs:

(1) An organization does business within this state in a corporate form.

(2) A corporation exercises its charter or the continuance of its charter within La.

(3) An entity owns or uses part or all of its capital, plant, or other property in La. in a corporate capacity.

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.

Proposed law provides for the phase-out of the corporate franchise tax for taxable years beginning on or after Jan. 1, 2019, by reducing the amount of the tax by 25% each year until no tax is levied on the taxable capital of corporations for tax years beginning on or after Jan. 1, 2022.

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 retains present law but clarifies that no initial tax shall be levied or collected by the state nor paid by domestic or foreign corporations for taxable years beginning on and after Jan. 1, 2022.

Other provisions, applicability, and effective dates:

Proposed law provides that notwithstanding the provisions of Section 6 of Act No. 123 of the 2015 Regular Session, R.S. 47:287.73(C)(4) as enacted by Section 3 of Act No. 123 of the 2015 Regular Session shall not become effective.

Applicable to all taxable periods beginning on or after January 1, 2018.

Proposed law provides that Section 3 of this Act shall become effective and Section 2 of this Act shall not become effective if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 356 of this 2017 R. S. of the Legislature is adopted at a statewide election and becomes effective.

Proposed law provides that Section 11 of this Act shall become effective and Section 10 of this Act shall not become effective if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 356 of this 2017 Regular Session of the Legislature is adopted at a statewide election and becomes effective.

Except as specifically provided, the provisions of this Act shall take effect on Jan. 1, 2018, if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 356 of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective and if the Acts which originated as House Bill Nos. 119, 357, and 358 of this 2017 R.S. of the Legislature are enacted and become effective and HCR No. 4 is adopted by both houses of the Louisiana Legislature.

(Amends R.S. 47:32(A), 79, the heading of Part II-A of Ch. 1 of Subtitle II of Title 47 of the Louisiana Revised Statutes of 1950, R.S. 47:287.2, 287.11(A), 287:12, 287.61, 287.86(A),(B), and (C)(2), 293(l) and (3)(intro. para.), 295(B), 297.8(A), 306(A)(3)(a), 601(A), (B), and (C)(2), 633(7)(a) and (d)(intro. para.) and (8), 6006(B), (C)(3), and (D)(5) and 6007(C)(1)(d)(ii)(aa), and (cc); Adds R.S. 47:293(9)(a)(xviii), 611(C), 6006(D)(6), 6007(C)(1)(d)(ii), (dd), (ee), and (ff); Repeals R.S. 47:34, 201-220.3, 287.73(C)(4), 287.732(B), 294, 297(H), 297.6, 633(7)(d)(i) and (ii), 3201-3206, 4301-4306, 6005, 6009, 6012, 6019, 6020, 6023, 6025, 6034, 6035, and 6351, R.S. 51:1781-1791, 2351-2356, 2365 and 2367, 2399.1-2399.6, 2451-2462, 3111-3115, and 3121)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Phase out the corporate franchise tax over four years beginning on and after Jan. 1, 2019, by reducing the taxpayer's tax liability by 25% until the entire amount of the tax is eliminated for taxable years beginning on and after Jan. 1, 2022, rather than repeal the tax.

2. Add provision that for tax years beginning on and after Jan. 1 2022, no initial corporate franchise tax is due for newly established businesses.

3. Changes the applicability provisions of the bill from taxable years beginning on and after Jan. 1, 2018 to all corporate franchise tax periods beginning on and after Jan. 1, 2019.

4. Increase the carry over period for net operating loss deduction from 20 years to 30 years for taxable years beginning on and after Jan. 1, 2018.

5. Change the application order of net operating loss from the most recent year to the earliest year of loss.

6. Provides that the the exemption for horizontal drilling does not apply to a well certified by the Dept. of Natural Resources as an incapable or stripper well.

7. Repeal provisions of present law relating to partnerships and income earned by partnerships for purposes of corporate income tax including the filing of composite returns and the computation of partnership income.

8. Clarify that for purposes of corporate income tax, the term "corporations and entities taxed as corporations" shall include all corporations and entities required to file federal form 1065 relative to U.S. return of partnership income.

9. Clarify that for purposes of the levy of the corporate income tax, business entities which are required to file federal form 1065, U.S. return of partnership income shall be subject to the state corporate income tax levied on the taxable income of business entities.

10. Clarify that for entities required to file federal form 1065, U.S. return of partnership income, "gross income" means the sum of lines one through eleven that is reportable in Schedule K, subject to modifications specified in present law.

11. Eliminate income or losses subject to corporate or business taxes from the calculation of adjusted gross income for purposes of calculating individual income tax liability.

12. Add applicability provisions for proposed law changes relative to corporate franchise taxes for corporate franchise tax periods beginning on and after Jan. 1, 2019.

13. Add effective date of Sept. 1, 2017 to proposed law relative to severance tax.

14. Add contingent effectiveness on Jan. 1, 2018, for <u>proposed law</u> if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. 356 of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective and if the Acts which originated as House Bill Nos. 119, 357, and 358 are enacted and become effective and HCR No. 4 is adopted by both houses of the Louisiana Legislature.