
DIGEST

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HB 80 Engrossed

2017 Regular Session

Hilferty

Abstract: Provides for the phasing out of the corporation franchise tax over a 10-year period beginning in tax year 2018.

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. Corporate franchise tax is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in Louisiana. 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 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 beginning Jan. 1, 2018, over the next 10 years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after Jan. 1, 2027, no corporation franchise tax shall be assessed or paid.

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.

Further provides that the tax is first due immediately on the corporation's becoming taxable and is payable on or before the 15th day of the third month after the month in which the tax is due.

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. Further changes the month that the tax is due from the 15th day of the *third* month after the month in which the tax is due to the 15th day of the *fourth* month after the month in which the tax is due.

Proposed law applies to all corporate franchise tax periods beginning on and after Jan. 1, 2018.

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

(Amends R.S. 47:601(A), (B), and (C)(2) and 611(A); Adds R.S. 47:611(C))

Summary of Amendments Adopted by House

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

1. Add provision that for tax years beginning on and after Jan. 1, 2022, no initial corporate franchise tax is due for newly established businesses.
2. Change the month that the tax is due from the 15th day of the *third* month after the month in which the tax is due to the 15th day of the *fourth* month after the month in which the tax is due.
3. Add applicability provisions to the bill for all corporate franchise tax periods beginning on and after Jan. 1, 2018.