DIGEST

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HB 22 Engrossed — 2018 First Extraordinary Session — Shadoin

Abstract: Repeals the sunset for various reductions in corporate income tax exclusions and deductions thereby making the reductions permanent.

Previous Act of the legislature (Act No. 123 of 2015 R.S.) temporarily reduced certain allowable exclusions and deductions from corporate income tax. Present law provides that those exclusions and deductions return to their former rates effective July 1, 2018.

Proposed law removes provision for return to the former rates, thereby making the following 2015 reductions permanent:

(1) Exclusion of funds received by a corporation from a governmental entity to subsidize the operation and maintenance of a public transportation system; 72% exclusion is retained rather than return to 100%. (R.S. 47:51)

(2) Deduction of net operating loss of a corporation; 72% deduction is retained rather than return to 100%. (R.S. 47:246)

(3) Exclusion of funds received from a governmental entity to subsidize the operation and maintenance of a public transportation system; 72% deduction is retained rather than return to 100%. (R.S. 47:287.71)

(4) Deduction of various corporate expenses that are not allowed as deductions by I.R.C. Section 280C; 72% deduction is retained rather than return to 100%.
(R.S. 47:287.73)

(5) Deduction of net operating loss incurred in La.; 72% deduction is retained rather than return to 100%. (R.S. 47:287.86)

(6) Deduction of an amount equal to interest and dividend income included on the federal income tax return; 72% deduction is retained rather than return to 100%. (R.S. 47:287.738)

(7) Exemption from corporation income and franchise taxes for certain La. Community Development Institutions; a four-year exemption is retained rather than return to five years. (R.S. 51:3092)

Present law provides that the allowance for depletion for oil and gas wells is 15.8% of the gross income from the property during the taxable year. Proposed law changes that rate from 15.8% to 16%. Present law, effective now, provides that 80% of rents or royalties paid by the taxpayer are excluded from income in calculating the depletion and that this allowance shall not exceed 36% of the net income of the taxpayer. Present law, effective July 1, 2018, provides that: the depletion allowance is 22%; 100% of rents or royalties paid by the taxpayer are excluded from income; and this allowance shall not exceed 50% of the net income of the taxpayer. Proposed law repeals present law that would become effective July 1, 2018, thereby retaining present law as currently effective. (R.S. 47:158(C))

Proposed law, relative to the allowance for depletion for certain mines, changes the rate for coal mines from 3.6% to 4%; for metal mines from 10.8% to 11%; and for sulphur mines from 15.8% to 16%. Present law, effective now, provides that 72% of rents or royalties paid by the taxpayer are excluded from income in calculating the depletion and that this allowance shall not exceed 36% of the net income of the taxpayer. Present law, effective July 1, 2018, provides that: the depletion allowances are 5% for coal mines, 15% for metal mines, and 23% for sulphur mines; 100% of rents or royalties paid by the taxpayer are excluded from income; and this allowance shall not exceed 50% of the net income of the taxpayer. Proposed law repeals present law that would become effective July 1, 2018, thereby retaining present law as currently effective. (R.S. 47:158(D))

Present law provides that the deduction from gross income tax for depletion for oil and gas wells is 15.8% of the gross income from the property during the taxable year. Proposed law changes that rate from 15.8% to 16%. Present law, effective now, provides that 72% of rents or royalties paid by the taxpayer are excluded from income in calculating the depletion and that this allowance shall not exceed 36% of the net income of the taxpayer. Present law, effective July 1, 2018, provides that: the depletion deduction is 22%; 100% of rents or royalties paid by the taxpayer are excluded from income; and that this allowance shall not exceed 50% of the net income of the taxpayer. Proposed law repeals present law that would become effective July 1, 2018, thereby retaining present law as currently effective. (R.S. 47:287.745(B))

Effective July 1, 2018, but only if the Acts which originated as House Bill Nos. 2, 3, 12, 23, and 29 of this 2018 First E. S. are enacted, if HCR No. 2 of this 2018 First E.S. is adopted, and the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as HB No. 15 of this 2018 First E.S. is adopted by the legislature.

(Amends R.S. 47:158(C) and (D), 287.73(C)(4), and 287.745(B) and §6 of Act No. 123 of 2015 R.S.; Repeals §§3 and 4 of Act No. 123 of 2015 R.S.)

Summary of Amendments Adopted by House

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

1. Make a technical change to a reference to federal law.

2. Change the effective date of proposed law from governor's signature to effectiveness

based on enactment of HB Nos. 2, 3, 12, 23, and 29, adoption of HCR No. 2, and the proposed amendment of Article VII of the Constitution contained in the Act which originated as HB No. 15 is adopted, all from the 2018 First E.S.