

2020 First Extraordinary Session

SENATE BILL NO. 6

BY SENATOR ALLAIN

TAX/FRANCHISE/CORPORATE. Provides for the suspension of the corporation franchise tax and initial corporation franchise tax for small business corporations. (Item #16) (gov sig)

1 AN ACT

2 To enact R.S. 47:601.1, relative to suspension of the initial corporation franchise tax and the
3 corporation franchise tax on the first three hundred thousand dollars of taxable
4 capital; to provide the applicable tax periods of the suspension; to provide for
5 eligibility; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:601.1 is hereby enacted to read as follows:

8 **§601.1. Suspension of the tax for small business corporations**

9 **A.(1) Notwithstanding any provision of law to the contrary, the state**
10 **corporation franchise tax levied on corporations at the rate of one dollar and**
11 **fifty cents for each one thousand dollars, or major fraction thereof on the first**
12 **three hundred thousand dollars of taxable capital pursuant to the provisions of**
13 **R.S. 47:601(A) shall not apply to small business corporations for franchise**
14 **taxable periods beginning between July 1, 2020 and June 30, 2021.**

15 **(2) Notwithstanding any provision of law to the contrary, the initial tax**
16 **levied on corporations or other entities for the first accounting period in which**
17 **the entity becomes subject to the corporation franchise tax pursuant to the**

1 provisions of R.S. 47:611(A) shall not apply to small business corporations for
2 franchise taxable periods beginning between July 1, 2020 and June 30, 2021.

3 B. For purposes of this Section, "small business corporation" means a
4 business that is exercising its charter, or qualified to do business or actually
5 doing business in this state, or owning or using any part or all of its capital,
6 plant, or any other property in this state, that is subject to the corporation
7 franchise tax, and that has taxable capital of one million dollars or less.

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

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Leonore Heavey.

DIGEST

SB 6 Original

2020 First Extraordinary Session

Allain

Present law levies the corporation franchise tax on corporations and entities taxed as corporations exercising their charter, qualified to do business, or actually doing business in the state or owning or using any part of its capital, plant, or other property in Louisiana.

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 \$300,000.

Proposed law provides for a suspension of the corporation franchise tax on the first \$300,000 of taxable capital for small business corporations.

Proposed law defines "small business corporation" as an entity that is subject to the corporation franchise tax, and that has taxable capital of \$1,000,000 or less.

Proposed law retains present law tax rate of \$3 per \$1,000 of taxable capital above \$300,000 and retains the first bracket of the tax for all taxpayers with taxable capital above \$1,000,000.

Present law levies an initial tax on corporations or other entities for the first accounting period in which the entity becomes subject to the corporation franchise tax of \$125.

Proposed law suspends the initial franchise tax for small business corporations.

Proposed law applies only to taxable periods beginning between July 1, 2020 and June 30, 2021.

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

(Adds R.S. 47:601.1)