

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. The provisions of this Act shall supercede and control to the extent of any  
 9           conflict between this Act and the provisions of House Concurrent Resolution No. 66 of the  
 10          2020 Regular Session of the Legislature.

11          Section 3. This Act shall become effective upon signature by the governor or, if not  
 12          signed by the governor, upon expiration of the time for bills to become law without signature  
 13          by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
 14          vetoed by the governor and subsequently approved by the legislature, this Act shall become  
 15          effective on the day following such approval.

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The original instrument was prepared by Leonore Heavey. The following  
 digest, which does not constitute a part of the legislative instrument, was  
 prepared by Curry J. Lann.

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#### DIGEST

SB 6 Engrossed

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.

Proposed law supercedes and controls to the extent of any conflict between proposed law and the provisions of HCR 66 of the 2020 Regular Session.

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

(Adds R.S. 47:601.1)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Adds provision superceding the provisions of HCR 66 of the 2020 Regular Session to the extent of any conflict.