LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 161** SLS 21RS 145
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 14, 2021 2:13 PM
Author: ALLAIN
Dept./Agy.: Revenue
Subject: Suspend Corporate Franchise Tax
Analyst: Greg Albrecht

TAX/FRANCHISE/CORPORATE EG -$7,500,000 GF RV See Note

Extends the termination date of the exemption from corporate franchise tax for small business corporations. (gov sig)

Present law levies a franchise tax at the rate of $1.50 per $1,000 on the first $300,000 of taxable capital, and $3.00 per $1,000 on taxable capital in excess of $300,000. The tax is due on the first day of a taxpayers normal accounting period (calendar or fiscal), and payable in the fifth month after the tax is due.
Present law suspends the first tier of the tax ($1.50 per $1,000 on the first $300,000 of taxable capital) for firms subject to the tax that have up to $1,000,000 of taxable capital. The suspension applies to franchise tax periods beginning between July 1, 2020 and June 30, 2021.

Proposed law extends the suspension period to franchise taxable periods beginning up to December 31, 2025.
Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	($7,500,000)	($7,500,000)	($7,500,000)	($7,500,000)	($7,500,000)	**($37,500,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**($7,500,000)**	**($7,500,000)**	**($7,500,000)**	**($7,500,000)**	**($7,500,000)**	**($37,500,000)**

EXPENDITURE EXPLANATION

The Department will incur relatively minor costs of IT staff time to modify the tax processing system to reinstate the tax at the end of the extended suspension period.

REVENUE EXPLANATION

The Department of Revenue estimated the effect of the current law provision (Act 15 of 2020 ES1 and HCR 6 2020 RS) that is being extended by this bill based on 2017/2018 tax year returns (2017 corporate income tax year, 2018 corporate franchise tax year: filed on a combined return) as the most recent year of complete filings to estimate the effect of suspending the first tier of the franchise tax for firms with up to $1,000,000 of taxable capital. The franchise tax associated with this first tier of tax, after all nonrefundable credits, was $7.5 million. Refundable credits require no tax liability, and would still be refunded to taxpayers.

The tax is suspended based on the beginning of the franchise tax period for affected firms, while the estimated state fiscal year revenue losses occur based on the payable date. Most taxpayers are on a calendar year normal accounting period, while some taxpayers are on their own fiscal year normal accounting periods, making most due dates fall within the first fiscal year of the fiscal note horizon, but with some due dates falling within the second year of the horizon. Thus, most of the state revenue loss for each tax period will occur in the first fiscal year ($7.1 million), but some will occur in the second ($400,000).

The current law effects are expected in FY21 ($7.1 million) and FY22 ($400,000), but actual effects are not yet knowable as FY21 has not yet finished. With the extension provided by this bill, each fiscal year of the fiscal note horizon is now expected to lose the full $7.5 million, due to the repeating nature of the effects of the suspension (each tax period resulting in two years of effect, $7.1 million first year, then $400,000 second year). A residual loss of $400,000 would be expected in FY27 as a result of this pattern.

Senate	Dual Referral Rules	House
☐	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒	13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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