LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 547** HLS 21RS 732
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 26, 2021 7:09 PM
Author: PRESSLY
Dept./Agy.: Revenue
Subject: Corporate Income Tax
Analyst: Greg Albrecht

TAX/CORP INCOME OR DECREASE GF RV See Note

Levies a flat corporate income tax, repeals the corporation franchise tax, repeals deductibility of federal income taxes paid, and terminates certain income tax credits

Proposed law levies a flat corporate income tax rate of 3.28%. The deduction for federal taxes paid is eliminated for corporations. This new rate phases down by one-half percentage point per year until the tax rate is zero, if REC forecast triggers are met. The first trigger evaluation is whether the forecast for FY26 exceeds the forecast for FY25 by at least 1.5%. If the trigger is satisfied, the tax rate falls for tax year 2027. The trigger is evaluated each subsequent year.
The bill also prohibits state tax exemption contracts by the C&I Board after January 1, 2023, and terminates credits for new applications for the following credit programs as of January 1, 2023: film tax credit, Angel Investor, Digital Media, Sound Recording, Musical/Theatrical Productions, and Enterprise Zones. The bill also repeals the corporate franchise tax. Applicable to all tax years beginning on and after January 1, 2023.

Contingent upon adoption of the constitutional amendment contained in House Bill # of this session.

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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

Tax system changes will have to be made to incorporate the elimination of the deduction from the tax processing system. These changes are typically estimated as several thousands of dollars of staff time for design, modification, and testing.

REVENUE EXPLANATION

The Dept. of Revenue estimated the effect of the bill's single 3.28% corporate income tax rate, with the deduction for federal income taxes paid also eliminated, by re-calculating 2018 tax returns. The result was an aggregate liability reduction of $445 million. Using corporate filing pattern discussed below translates tax year liability changes into fiscal year receipts changes as follows: $80 million in FY23, $400 million in FY24, and $445 million in FY25 and each year thereafter. The repeal of the corporate franchise tax results in a $397 million annual tax liability reduction. Translated to fiscal years, the revenue losses are $71 million in FY22 (the franchise tax is paid in advance), $357 million in FY23, and $397 million in FY24 and each year thereafter. Combined revenue losses are $71 million in FY22, $437 million in FY23, $797 million in FY24, and $842 million in FY25 and each year thereafter. Should the REC forecast trigger provisions be satisfied, additional incremental losses of $60 million would be added each year from FY27 and thereafter until the income tax is eliminated.

The bill also eliminates various economic development tax credit programs in 2023, as well. Specific immediate revenue effects are not determined because there can be significant time lags between when these program credits are earned and when they are claimed. For information purposes, the three most recent years of credit claims for these programs combined have been nearly $250 million per year. As participation winds down, these amounts of state fiscal costs will reduce, as well.

Since the bill eliminates the corporate franchise tax, and contemplates elimination of the corporate income tax, it should be noted that refund carry-forwards of these taxes are currently $572 million for corporate income tax, and $190 million for the corporate franchise tax. With elimination of these taxes, these refunds will have to be paid at some point. Consequently, revenue losses will be greater than estimated above as these refunds are paid.

Corporate filing patterns are such that 18% of each tax year's liability change is estimated to occur in the immediate fiscal year (FY23 estimated payments), followed by 72% in the second fiscal year (FY24 returns & extensions), and the final 10% in the third fiscal year (FY25 returns & extensions).

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House

- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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