HLS 23RS-198 ORIGINAL

2023 Regular Session

HOUSE BILL NO. 364

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BY REPRESENTATIVE BISHOP

TAX/CORP FRANCHISE: Phases-out the corporate franchise tax over four years

1 AN ACT 2 To amend and reenact R.S. 47:601(B), (C)(2), and (D) and to enact R.S. 47:601(E) and 3 611(C), relative to the corporate franchise tax; to provide for the rate of the corporate 4 franchise tax; to provide for a reduction and eventual elimination of the corporate 5 franchise tax; to prohibit the levy of an initial tax under certain circumstances; to 6 provide for applicability; to provide for an effective date; and to provide for related 7 matters. 8 Be it enacted by the Legislature of Louisiana: 9 Section 1. R.S. 47:601(B), (C)(2), and (D) are hereby amended and reenacted and 10 R.S. 47:601(E) and 611(C) are hereby enacted to read as follows: 11 §601. Imposition of tax 12

B. It is the purpose of this Section to require the payment of this tax to the state of Louisiana by domestic corporations for the right granted by the laws of this state to exist as such an organization, and by both domestic and foreign corporations for the enjoyment, under the protection of the laws of this state, of the powers, rights, privileges, and immunities derived by reason of the corporate form of existence and operation. The tax hereby imposed pursuant to the provisions of this Chapter shall be in addition to all other taxes levied by any other statute.

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	C.
2	* * *
3	(2) The term "foreign corporation" shall mean and include all such business
4	organizations as hereinbefore described in this Paragraph (1) of this Subsection
5	which are organized under the laws of any other state, territory or district, or foreign
6	country.
7	* * *
8	D. The annual tax levied on taxable capital pursuant to the provisions of this
9	Chapter shall be at the following rates:
10	(1) For taxable periods beginning before January 1, 2023, the annual rates
11	of tax shall be one dollar and fifty cents for each one thousand dollars, or major
12	fraction thereof, on the first three hundred thousand dollars of taxable capital and
13	three dollars for each one thousand dollars, or major fraction thereof, in excess of
14	three hundred thousand dollars of taxable capital.
15	(2) Except as otherwise provided in R.S. 47:601.1 or 601.2, for taxable
16	periods beginning on or after January 1, 2023, and before January 1, 2025, the annua
17	rate of tax shall be two dollars and seventy-five cents for each one thousand dollars
18	or major fraction thereof, in excess of three hundred thousand dollars of taxable
19	capital .
20	(3) Except as otherwise provided in R.S. 47:601.2, for taxable periods
21	beginning on or after January 1, 2025, and before January 1, 2026, two dollars and
22	six cents for each for each one thousand dollars, or major fraction thereof, in excess
23	of three hundred thousand dollars.
24	(4) Except as otherwise provided in R.S. 47:601.2, for taxable periods
25	beginning on or after January 1, 2026, and before January 1, 2027, one dollar and
26	thirty-seven cents for each one thousand dollars, or major fraction thereof, in excess
27	of three hundred thousand dollars.
28	(5) Except as otherwise provided in R.S. 47:601.2, for taxable periods
29	beginning on or after January 1, 2027, and before January 1, 2028, sixty-eight cents

1 for each one thousand dollars, or major fraction thereof, in excess of three hundred 2 thousand dollars. E. For taxable periods beginning on or after January 1, 2028, no corporation 3 4 franchise tax shall be assessed, levied, or collected by the state nor paid by domestic 5 or foreign corporations. 6 7 §611. Newly taxable corporation 8 9 C. For taxable periods beginning on or after January 1, 2028, no initial tax 10 shall be assessed, levied, or collected by the state nor paid by domestic or foreign 11 corporations. 12 Section 2. The provisions of this Act shall apply to corporate franchise tax periods 13 beginning on or after January 1, 2025. 14 Section 3. This Act shall become effective upon signature by the governor or, if not 15 signed by the governor, upon expiration of the time for bills to become law without signature 16 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If 17 vetoed by the governor and subsequently approved by the legislature, this Act shall become 18 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 364 Original

2023 Regular Session

Bishop

Abstract: Phases-out the corporate franchise tax over four years beginning Jan. 1, 2025.

<u>Present law</u> (R.S. 47:601 et seq.) establishes the corporation franchise tax which is levied on every domestic and foreign corporation exercising its charter, qualified to do business, or actually doing business in La. The corporation franchise tax is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in La.

<u>Present law</u> provides, beginning Jan. 1, 2023, that the rate of the tax shall be \$2.75 per \$1,000 of taxable capital above \$300,000.

<u>Present law</u> provides for the determination of taxable capital for purposes of levying the corporation franchise tax as well as the tax treatment of capital stock, surplus and undivided

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profits, and the allocation of taxable capital. <u>Present law</u> further provides for the administration of the tax as well as the collection and payment of the tax.

<u>Present law</u> requires every corporation or other entity subject to the franchise tax to pay only an initial tax of \$110 in the first accounting period in which it becomes subject to the tax. After the first closing of the corporate books, the tax is payable as provided in present law.

<u>Proposed law</u> provides for a four-year phase-out of the corporate franchise tax by reducing the tax rate as follows:

- (1) For taxable periods beginning on or after Jan. 1, 2025, and before Jan. 1, 2026, \$2.06 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (2) For taxable periods beginning on or after Jan. 1, 2026, and before Jan. 1, 2027, \$1.37 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (3) For taxable periods beginning on or after Jan. 1, 2027, and before Jan. 1, 2028, \$0.68 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (4) For taxable periods beginning on or after Jan. 1, 2028, no corporation franchise tax shall be assessed, levied, or collected by the state nor paid by domestic or foreign corporations on taxable capital.

<u>Proposed law</u> provides that no initial tax shall be levied or collected by the state nor paid by domestic or foreign corporations for taxable periods beginning on or after Jan. 1, 2028.

<u>Proposed law</u> applies to all corporate franchise tax periods beginning on or after Jan. 1, 2025.

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

(Amends R.S. 47:601(B), (C)(2), and (D); Adds R.S. 47:601(E) and 611(C))