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## DIGEST

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HB 491 Original

2023 Regular Session

Marcelle

**Abstract:** Repeals the automatic reductions in the individual income tax rates and the corporation franchise tax rate if certain revenue thresholds are met.

Present law provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at the following rates:

- (1) 1.85% on the first \$12,500 of net income.
- (2) 3.5% on the next \$37,500 of net income.
- (3) 4.25% on net income in excess of \$50,000.

Present law (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.

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

Proposed law retains present law.

Present law requires the reduction of each individual income tax rate if, beginning April 1, 2024, and each April first thereafter through 2034, the prior fiscal year's actual individual income tax collections as reported in the state's accounting system exceed the actual individual income tax collections for the fiscal year ending June 30, 2019, adjusted annually by the growth factor provided for in present constitution. If the conditions in present law are met, individual income tax rates are reduced beginning the following January first.

Present law requires the reduction of the corporation franchise tax rate if, beginning April 1, 2024, and each April first thereafter the prior fiscal year's actual corporation income and franchise tax collections as reported in the state's accounting system exceed the actual corporation income and franchise tax collections for the fiscal year ending June 30, 2019, adjusted annually by the growth factor provided for in present constitution. If the conditions in present law are met, corporation franchise tax rates are reduced beginning the following Jan. first.

Present law requires the reduced rate of these taxes to be calculated by multiplying each current rate by the difference between one and the percentage change in each of these tax collections in excess of the tax collections for each of these taxes for Fiscal Year 2018-2019 adjusted annually by the growth factor as provided for in present constitution. Further prohibits this reduction unless both of the following conditions are met:

- (1) The prior fiscal year's actual total tax, licenses, and fees exceed the actual total tax, licenses, and fees for Fiscal Year 2018-2019, adjusted annually by the growth factor provided for in present constitution.
- (2) The Budget Stabilization Fund balance as determined by the treasurer is at least 2.5% of the total state revenue receipts from the prior fiscal year.

Proposed law repeals present law.

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

(Repeals R.S. 47:32.1 and 601.2)