DIGEST

HB 518 Original | 2023 Regular Session | Cormier

Abstract: Establishes substantial nexus standards for purposes of income tax administration and revises certain provisions relative to allocable and apportionable corporate income.

Proposed law provides that individuals who are residents or domiciliaries of La. and business entities that are organized or commercially domiciled in La. have substantial nexus with La.
Proposed law provides that nonresident individuals and business entities organized outside of this state that are doing business in La. shall be deemed to have substantial nexus with La. and shall be subject to La. income tax when, in any taxable period, the property, payroll, or sales of the individual or business in the state exceeds the following thresholds:

(1) $50,000 of property.

(2) $50,000 of payroll.

(3) $500,000 of sales.

(4) 25% of the individual's or business entity's total property, total payroll, or total sales.

Proposed law establishes standards for calculating quantities of property, payroll, and sales that are countable toward the nexus thresholds provided in proposed law.

Proposed law requires the secretary of the Dept. of Revenue, on annual basis, to determine the cumulative percentage change in the consumer price index (CPI) since Jan. 1, 2023, and to adjust the nexus thresholds provided in proposed law according to a procedure provided in proposed law if the CPI has changed by 5% or more since Jan. 1, 2023, or since the date that te secretary last adjusted the thresholds.

Present law provides for designation of certain types of income as allocable income for purposes of corporation income tax. Proposed law retains present law and adds to the types of allocable income profits or losses from sales or exchanges of property, including such items as stocks, bonds, notes, land, machinery, and mineral rights, not made in the regular course of business.

Present law requires that, for purposes of corporation income tax, items of gross allocable income or loss shall be allocated directly to the states within which such items of income are earned or derived according to requirements provided in present law. Proposed law makes additions to and revisions within present law relative to allocation of items of gross allocable corporate income.

Present law requires that when net apportionable income is computed by means of a separate accounting method authorized by present law, or at any time the La. apportionment percentage is zero, profits or losses ("P & L") from sales or exchanges of property not made in the regular course of business shall be apportioned to La. on the ratio of gross income from La. sources, other than such P & L, to gross income of the corporation, other than such P & L. Provides that when all of the gross income of the corporation is from such P & L, the portion of P & L from sales or exchanges of property not made in the regular course of business attributable to La. shall be determined in accordance with a specific procedure set forth in Present law. Proposed law repeals present law.

Proposed law applies to taxable periods beginning on or after Jan. 1, 2023.

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

(Amends R.S. 47:287.92(B)(2)-(4) and 287.93(A); Adds R.S. 47:39.1-39.3 and 287.92(B)(5); Repeals R.S. 47:287.94(H))