

2023 Regular Session

SENATE BILL NO. 1

BY SENATOR ALLAIN

TAX/FRANCHISE/CORPORATE. Phases-out the corporate franchise tax. (See Act)

1 AN ACT

2 To amend and reenact R.S. 47:601(D)(2) and 1675(J) and to enact R.S. 47:601(E) and
3 1675(K), relative to the corporation franchise tax; to phase-out the corporation
4 franchise tax; to provide for the utilization of credits against repealed taxes; to
5 provide for an effective date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:601(D)(2) and 1675(J) are hereby amended and reenacted and R.S.
8 47:601(E) and 1675(K) are hereby enacted to read as follows:

9 §601. Imposition of tax

10 * * *

11 D.(1) * * *

12 (2) Except as otherwise provided in R.S. 47:601.1 or 601.2, for taxable
13 periods beginning on or after January 1, 2023, the annual rate of tax shall be two
14 dollars and seventy-five cents for each one thousand dollars, or major fraction
15 thereof, in excess of three hundred thousand dollars of taxable capital, **as modified**
16 **by Subsection E of this Section.**

17 **E. The tax levied pursuant to the provisions of this Chapter shall be**

1 limited to the following percentages of the amount otherwise levied pursuant to
2 the provisions of this Chapter:

3 (1) For franchise tax periods beginning on or after January 1, 2025, and
4 before January 1, 2026, seventy-five percent.

5 (2) For franchise tax periods beginning on or after January 1, 2026, and
6 before January 1, 2027, fifty percent.

7 (3) For franchise tax periods beginning on or after January 1, 2027, and
8 before January 1, 2028, twenty-five percent.

9 (4) For franchise tax periods beginning on or after January 1, 2028, no
10 corporation franchise tax shall be assessed, levied, or collected by the state nor
11 paid by domestic or foreign corporations on taxable capital.

12 * * *

13 §1675. General administrative provisions for credits against income ~~and corporation~~

14 franchise tax

15 * * *

16 J. Credit utilization against repealed taxes. Tax credits that were
17 available to be applied against a tax that was repealed and that were earned in
18 a tax period prior to the repeal of the tax, may continue to be applied against
19 that tax for any applicable period prior to the repeal of the tax until the credit
20 either expires or is exhausted. Nothing in this Subsection shall be interpreted
21 to authorize an expansion of any provision of any tax credit.

22 K. Documentation for tax credits.

23 (1) Record retention.

24 (a) For credits with no carry forward provision, original records supporting
25 any credit claimed must be maintained for four years following the date the return
26 was filed claiming the credit.

27 (b) For credits with a carry forward provision, original records supporting the
28 credit must be maintained for four years following the date on which the last return
29 was filed claiming the credit.

1 (2) Documentation supporting a tax credit shall be provided by a taxpayer
 2 claiming a tax credit as required by rule or on forms or instructions provided by the
 3 secretary.

4 Section 2. This Act shall take effect and become operative if and when the Act which
 5 originated as Senate Bill No. 6 of this 2023 Regular Session of the Legislature becomes
 6 effective.

The original instrument was prepared by Leonore Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by Danielle Clapinski.

DIGEST

SB 1 Engrossed

2023 Regular Session

Allain

Present law levies a corporation franchise tax on domestic corporations and foreign corporations that exercise their charter, or are qualified to do business or actually do business in this state, or own or use any part or all of their capital, plant, or any other property in this state.

Proposed law phases-out the corporation franchise tax over a four-year period beginning franchise tax periods beginning on or after Jan. 1, 2025 with the franchise tax fully phased-out for franchise tax periods beginning on or after Jan. 1, 2028.

Proposed law clarifies that credits that were earned in a tax period prior to the repeal of the tax may continue to be used against that tax for any applicable period prior to the repeal of the tax.

Effective when the Act which originated as Senate Bill No. 6 of this 2023 Regular Session of the Legislature becomes effective.

(Amends R.S. 47:601(D)(2) and 1675(J); adds R.S. 47:601(E) and 1675(K))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Phases-out the franchise tax over a four-year period instead of repealing it.
2. Removes provisions of proposed law that disallow utilization of tax credits against franchise tax.
3. Changes effectiveness of proposed law to when the Act which originated as Senate Bill No. 6 of this 2023 Regular Session of the Legislature becomes effective.
4. Makes technical changes.