

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 provide for the reduction of
4 franchise tax under certain circumstances; to provide for the utilization of credits
5 against repealed taxes; to provide for an effective date; and to provide for related
6 matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:601(D)(2) and 1675(J) are hereby amended and reenacted and R.S.
9 47:601(E) and 1675(K) are hereby enacted to read as follows:

10 §601. Imposition of tax

11 * * *

12 D.(1) * * *

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

1 was filed claiming the credit.

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

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

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 provides for a 25 percent reduction in the corporation franchise tax rate in each year the combined corporation income and franchise tax collections exceed \$600 million and money is deposited into the Revenue Stabilization Trust fund. The rate reduction shall be effective January first of the year following money being deposited into the Revenue Stabilization Trust Fund. Further provides the reductions are only allowed based upon collections during franchise tax periods beginning on or after January 1, 2025, and before January 1, 2031.

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.

Senate Floor Amendments to engrossed bill

1. Removes the automatic phase-out of the franchise tax and provides for a 25 percent per year rate reduction when certain requirements are met within a six year window.
2. Makes technical corrections.