

RÉSUMÉ DIGEST

SB 1

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 would have provided 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 would have been effective January first of the year following money being deposited into the Revenue Stabilization Trust Fund. Further would have provided 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 would have clarified 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.

Would have become effective when the Act which originated as Senate Bill No. 6 of this 2023 Regular Session of the Legislature became effective.

(Proposed to amend R.S. 47:601(D)(2) and 1675(J); proposed to add R.S. 47:601(E) and 1675(K))

VETO MESSAGE:

"Senate Bill 1 by Chairman Allain presents another path toward the elimination of Louisiana's franchise tax on corporations and other businesses taxed as corporations.

There is little doubt among tax experts that this tax is antiquated and should be structurally reformed or repealed. In 2021, Chairman Allain led an effort to reform Louisiana's tax code resulting in true tax reform that reduced corporate and individual income tax rates, uncoupled Louisiana's income tax from federal income tax, exempted corporations with less than \$300,000 of taxable capital from the franchise tax, and enacted a tax reduction trigger for franchise tax and individual income tax.

The extent of fiscal impacts from these changes will not be known, however, until December 2023 or early 2024, following the new automatic filing extension of November 15, 2023, for 2022 income taxes. With many moving and intertwined pieces, it is unwise to create a second franchise tax reduction trigger at this time. The phase out and ultimate elimination of the franchise tax will require future policymakers to reconcile the inherent reduction to the corporate income tax due to the portability of these hundreds of millions of available tax credits. Those policymakers must also address the sunset of the 0.45% sales tax; the return of previously suspended sales tax exemptions; and existing and new dedications of certain taxes to the Transportation Trust Fund and Revenue Stabilization Trust Fund.

Over the last eight years, my Administration has worked to grow and diversify the economy while ensuring historic investments in our people, our children, our roads and bridges, our coastline, and more. There is nearly \$2 billion in protected savings accounts and financial stability across state government. This legacy allows my successor to continue our progress, with a new perspective and fresh start, and affords a unique opportunity to propel Louisiana forward.

The next fiscal session is scheduled in early 2025, and while I leave Louisiana's finances in a far more positive light than I found them, there is more work to be done and careful decisions to be made by the next administration and legislature in anticipation of Fiscal Year 2026. I applaud Chairman Allain's efforts in 2021 and this past legislative session in championing necessary reforms to our tax system, and I invite the next Administration and Legislature to continue moving forward in reforming, modernizing, and improving Louisiana's tax laws.

For these reasons, I have vetoed Senate Bill I and return it to the Senate."