DIGEST

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HB 233 Original 2025 Regular Session Echols

Abstract: Authorizes an income tax credit based on capital investments for pharmaceutical manufacturers that relocate their manufacturing operations from certain foreign countries to sites within La.

Proposed law authorizes a credit against La. income tax for any taxable year in which a qualifying taxpayer places qualified drug manufacturing and productive equipment property in service.

Proposed law defines "qualifying taxpayer" as an entity that meets all of the following qualifications:

(1) Engages in activities classified as pharmaceutical and medicine manufacturing within Sector 31-33 (manufacturing) of the North American Industry Classification System published by the U.S. Bureau of the Census.

(2) Closes a pharmaceutical and medicine manufacturing facility operating in Canada, Mexico, the People's Republic of China, India, Singapore, the United Kingdom, or the European Union and relocates that manufacturing operation to a site within La.

Proposed law defines "qualified drug manufacturing and productive equipment property" as any property used in pharmaceutical and medicine manufacturing that meets all of the following qualifications:

(1) It is used as an integral part of manufacturing or production.

(2) It is tangible property to which Section 168 of the Internal Revenue Code (IRC) applies.

(3) It is deemed Section 1245 property in accordance with the IRC.

(4) The property is acquired by the taxpayer and its original use commences with the taxpayer within this state or it is constructed, reconstructed, or erected by the taxpayer within this state.

Proposed law stipulates that in certain specified cases, computer software used to control or monitor a drug manufacturing or production process inside this state may be deemed qualified manufacturing and productive equipment property for purposes of the credit.

Proposed law provides that the amount of the credit shall equal the aggregate of all of the following:

(1) 0.5% of total aggregate bases for all three-year property that qualifies.

(2) 1.0% of total aggregate bases for all five-year property that qualifies.

(3) 1.5% of total aggregate bases for all seven-year property that qualifies.

(4) 2% of total aggregate bases for all 10-year property that qualifies.

(5) 2.5% of total aggregate bases for all 15-year or greater property that qualifies.

Proposed law limits the allowable amount of the credit to $10M per qualifying taxpayer per taxable year.

Proposed law establishes that, for its purposes, property classifications shall be determined based on the applicable recovery period for the property provided in the IRC.

Proposed law provides that if the credit exceeds the amount of taxes due from a qualifying taxpayer for a taxable period, then any unused credit amount may be carried forward by the taxpayer as a credit against subsequent tax liability for a period not to exceed 10 years. Stipulates, however, that the amount of the credit applied in a taxable period shall not exceed the amount of taxes due from the taxpayer for that period.

Proposed law provides requirements for recapture of credits in cases of taxpayers disposing of qualified manufacturing and productive equipment property before the end of its recovery period or removing that property from La.

Proposed law provides that no taxpayer shall be eligible for any other state tax credit or any other state tax preference for activity for which the taxpayer receives a credit pursuant to proposed law.

Proposed law applies to taxable periods beginning on or after Jan. 1, 2026.

Effective Jan. 1, 2026.

(Adds R.S. 47:6003)