HLS 13RS-935 ORIGINAL

Regular Session, 2013

HOUSE BILL NO. 640

1

BY REPRESENTATIVE GREENE

TAX/CORP INCOME: Phases-out corporation income and corporation franchise taxes over a 10-year period

AN ACT

2	To amend and reenact R.S. 287.11 and 601 and to enact R.S. 47:32(D) relative to the
3	phasing-out of certain taxes levied on corporations; to provide for a reduction and
4	eventual elimination of the corporation franchise tax and the corporation income tax
5	over a certain period of time; to provide for an effective date; and to provide for
6	related matters.
7	Be it enacted by the Legislature of Louisiana:
8	Section 1. R.S. 287.11 and 601 are hereby amended and reenacted, and R.S.
9	47:32(D) is hereby enacted to read as follows:
10	§32. Rates of tax
11	* * *
12	D.(1) Notwithstanding the provisions of Subsection C of this Section, the
13	rates applicable to each class of taxpayer as set forth in Subsection A of this Section
14	shall be as follows:
15	(a) For tax years beginning during 2016, ninety percent of the rates provided
16	for in Subsection C of this Section.
17	(b) For tax years beginning during 2017, eighty percent of the rates provided
18	for in Subsection C of this Section.
19	(c) For tax years beginning during 2018, seventy percent of the rates provided
20	for in Subsection C of this Section.

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1	(d) For tax years beginning during 2019, sixty percent of the rates provided
2	for in Subsection C of this Section.
3	(e) For tax years beginning during 2020, fifty percent of the rates provided
4	for in Subsection C of this Section.
5	(f) For tax years beginning during 2021, forty percent of the rates provided
6	for in Subsection C of this Section.
7	(g) For tax years beginning during 2022, thirty percent of the rates provided
8	for in Subsection C of this Section.
9	(h) For tax years beginning during 2023, twenty percent of the rates provided
10	for in Subsection C of this Section.
11	(i) For tax years beginning during 2024, ten percent of the rates provided for
12	in Subsection C of this Section.
13	(2) No tax shall be assessed, levied, collected, or paid upon the income of an
14	corporation for any tax year commencing on or after January 1, 2025.
15	* * *
16	§287.11. Tax imposed; reduction
17	A. Except as provided in Subsection D of this Section, there There shall be
18	levied, collected, and paid for each taxable year a tax upon the Louisiana taxable
19	income of corporations and other entities taxed as corporations for federal income
20	tax purposes, which entities shall be considered to be corporations for the purposes
21	of this Chapter only, other than insurance companies as hereinafter provided.
22	B. Corporations shall be taxed on their Louisiana taxable income, except as
23	otherwise exempted.
24	C. Taxable years affected.
25	(1) The provisions of this Part shall apply to taxable years beginning after
26	December 31, 1986, including taxable years deemed to have commenced on January
27	1, 1987, by the provisions of R.S. 47:287.443.

1	(2) Taxable years beginning prior to January 1, 1987, shall not be affected
2	by the provisions of this Part, but shall remain subject to the applicable provisions
3	of R.S. 47:21 et seq.
4	D. (1) For taxable years beginning January 1, 2014, the tax levied pursuant
5	to the provisions of this Part shall be limited to the following percentages of the
6	amount otherwise levied pursuant to the provisions of this Part:
7	(a) For taxable years beginning on or after January 1, 2014, and before
8	January 1, 2015, ninety percent.
9	(b) For taxable years beginning on or after January 1, 2015, and before
10	January 1, 2016, eighty percent.
11	(c) For taxable years beginning on or after January 1, 2016, and before
12	January 1, 2017, seventy percent.
13	(d) For taxable years beginning on or after January 1, 2017, and before
14	January 1, 2018, sixty percent.
15	(e) For taxable years beginning on or after January 1, 2018, and before
16	January 1, 2019, fifty percent.
17	(f) For taxable years beginning on or after January 1, 2019, and before
18	January 1, 2020, forty percent.
19	(g) For taxable years beginning on or after January 1, 2020, and before
20	January 1, 2021, thirty percent.
21	(h) For taxable years beginning on or after January 1, 2021, and before
22	January 1, 2022, twenty percent.
23	(i) For taxable years beginning on or after January 1, 2022, and before
24	January 1, 2023, ten percent.
25	(2) For taxable years beginning on or after January 1, 2023, no corporation
26	income tax shall be assessed, levied, or collected by the state nor paid by domestic
27	or foreign corporations on taxable income.

1	$\underline{E}$ . Insurance companies shall not be subject to this Part but shall continue to
2	be taxed pursuant to the provisions of R.S. 47:21 and R.S. 47:221 et seq., and as
3	otherwise provided by law.
4	* * *
5	§601. Imposition of tax; reduction
6	A.(1) Except as provided in Paragraphs (2) and (3) of this Subsection, every
7	Every domestic corporation and every foreign corporation, exercising its charter, or
8	qualified to do business or actually doing business in this state, or owning or using
9	any part or all of its capital, plant, or any other property in this state, subject to
10	compliance with all other provisions of law, except as otherwise provided for in this
11	Chapter shall pay an annual tax at the rate of one dollar and fifty cents for each one
12	thousand dollars, or major fraction thereof on the first three hundred thousand dollars
13	of taxable capital and at the rate of three dollars for each one thousand dollars, or
14	major fraction thereof, which exceeds three hundred thousand dollars of taxable
15	capital. Taxable capital shall be determined as hereinafter provided. The tax levied
16	herein is due and payable on any one or all of the following alternative incidents:
17	(1)(a) The qualification to carry on or do business in this state or the actual
18	doing of business within this state in a corporate form. The term "doing business"
19	as used herein shall mean and include each and every act, power, right, privilege, or
20	immunity exercised or enjoyed in this state, as an incident to or by virtue of the
21	powers and privileges acquired by the nature of such organizations, as well as, the
22	buying, selling, or procuring of services or property.
23	(2)(b) The exercising of a corporation's charter or the continuance of its
24	charter within this state.
25	(3)(c) The owning or using any part or all of its capital, plant, or other
26	property in this state in a corporate capacity.
27	(2) For taxable years beginning January 1, 2014, the tax levied pursuant to
28	the provisions of this Chapter shall be limited to the following percentages of the
29	amount otherwise levied pursuant to the provisions of this Chapter:

1	(a) For taxable years beginning on or after January 1, 2014, and before
2	January 1, 2015, ninety percent.
3	(b) For taxable years beginning on or after January 1, 2015, and before
4	January 1, 2016, eighty percent.
5	(c) For taxable years beginning on or after January 1, 2016, and before
6	January 1, 2017, seventy percent.
7	(d) For taxable years beginning on or after January 1, 2017, and before
8	January 1, 2018, sixty percent.
9	(e) For taxable years beginning on or after January 1, 2018, and before
10	January 1, 2019, fifty percent.
11	(f) For taxable years beginning on or after January 1, 2019, and before
12	January 1, 2020, forty percent.
13	(g) For taxable years beginning on or after January 1, 2020, and before
14	January 1, 2021, thirty percent.
15	(h) For taxable years beginning on or after January 1, 2021, and before
16	January 1, 2022, twenty percent.
17	(i) For taxable years beginning on or after January 1, 2022, and before
18	January 1, 2023, ten percent.
19	(3) For taxable years beginning on or after January 1, 2023, no corporation
20	franchise tax shall be assessed, levied, or collected by the state nor paid by domestic
21	or foreign corporations on taxable capital.
22	B. It is the purpose of this Section to require the payment of this tax to the
23	state of Louisiana by domestic corporations for the right granted by the laws of this
24	state to exist as such an organization, and by both domestic and foreign corporations
25	for the enjoyment, under the protection of the laws of this state, of the powers, rights,
26	privileges, and immunities derived by reason of the corporate form of existence and
27	operation. The tax hereby imposed pursuant to the provisions of this Chapter shall
28	be in addition to all other taxes levied by any other statute.

1	C.(1) As used herein the term "domestic corporation" shall mean and include
2	all corporations, joint stock companies, or associations, or other business
3	organizations organized under the laws of this state which have privileges, powers,
4	rights, or immunities not possessed by individuals or partnerships.
5	(2) The term "foreign corporation" shall mean and include all such business
6	organizations as hereinbefore described in this Paragraph (C)(1) of this Section
7	which are organized under the laws of any other state, territory, or district, or foreign
8	country.
9	Section 2. This Act shall become effective upon signature by the governor or, if not
10	signed by the governor, upon expiration of the time for bills to become law without signature
11	by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
12	vetoed by the governor and subsequently approved by the legislature, this Act shall become
13	effective on the day following such approval.

## **DIGEST**

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Greene HB No. 640

**Abstract:** Provides for the phasing-out of the corporation income tax and the corporation franchise tax over a period of 10 years.

## CORPORATION INCOME TAX

<u>Present law</u> (R.S. 47:32(C)) provides for a tax to be assessed, levied, collected, and paid upon the taxable income of corporations to be computed as follows:

- (1) 4% on the first \$25,000.
- (2) 5% on amounts between \$25,001 and \$50,000.
- (3) 6% on amounts between \$50,001 and \$100,000.
- (4) 7% on amounts between \$100,001 and \$200,000.
- (5) 8% on all amounts above \$200,000.

<u>Proposed law</u> changes <u>present law</u> by requiring a phase out of the state tax on the net income of corporations as follows:

(1) For tax years beginning during 2016, 90% of the rates provided for in <u>present law</u>.

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- (2) For tax years beginning during 2017, 80% of the rates provided for in present law.
- (3) For tax years beginning during 2018, 70% of the rates provided for in <u>present law</u>.
- (4) For tax years beginning during 2019, 60% of the rates provided for in <u>present</u> <u>law</u>.
- (5) For tax years beginning during 2020, 50% of the rates provided for in <u>present</u> law.
- (6) For tax years beginning during 2021, 40% of the rates provided for in present law.
- (7) For tax years beginning during 2022, 30% of the rates provided for in present law.
- (8) For tax years beginning during 2023, 20% of the rates provided for in present law.
- (9) For tax years beginning during 2024, 10% of the rates provided for in present law.
- (10) No tax shall be assessed, levied, collected, or paid upon the income of a corporation for any tax year commencing on or after Jan. 1, 2025.

<u>Present law</u> (R.S. 47:287.2 et seq) establishes the corporation income tax and levies such tax on corporations and entities taxed as corporations for federal income tax purposes. <u>Proposed law</u> phases out <u>present law</u>, as more fully explained below.

<u>Present law</u> further provides that such tax is not levied on insurance companies. <u>Proposed law retains present law.</u>

<u>Present law</u> provides that the tax shall be levied on Louisiana taxable income at the following rates:

- (1) 4% on the first \$25,000.
- (2) 5% on amounts between \$25,001 and \$50,000.
- (3) 6% on amounts between \$50,001 and \$100,000.
- (4) 7% on amounts between \$100,001 and \$200,000.
- (5) 8% on all amounts above \$200,000.

<u>Proposed law</u> retains <u>present law</u> but provides that the amounts levied under <u>present law</u> shall be reduced by a cumulative 10% each year over the next 10 years until the amount levied is eliminated. <u>Proposed law</u> further provides that in taxable years beginning on or after 1/1/2024, no corporation income tax shall be assessed or paid.

## CORPORATION FRANCHISE TAX

<u>Present law</u> (R.S. 47:601 et seq.) establishes the corporation franchise tax. Such tax is levied on every domestic and foreign corporation exercising its charter, qualified to do business, or actually doing business in Louisiana. It is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in Louisiana. <u>Proposed law</u> phases out <u>present law</u>, as more fully explained below.

<u>Present law</u> provides that the tax shall be levied at the following rates:

(1) \$1.50 per \$1,000 of taxable capital, up to \$300,000.

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(2) \$3.00 per \$1,000 of taxable capital above \$300,001.

<u>Proposed law</u> retains <u>present law</u> but provides that the amount levied under <u>present law</u> shall be reduced by a cumulative 10% each year over the next 10 years until the amount levied is eliminated. <u>Proposed law</u> further provides that in taxable years beginning on or after 1/1/2024, no corporation franchise tax shall be assessed or paid.

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

(Amends R.S. 47:23(D), 287.11 and 601; Adds R.S. 47:32(D))