

Regular Session, 2013

HOUSE BILL NO. 637

BY REPRESENTATIVE IVEY

TAX/CORP INCOME: Phases out the state corporation income and franchise taxes over three years

1 AN ACT

2 To amend and reenact R.S. 47:287.11 and 601 and to enact R.S. 47:32(D), relative to state
3 taxes levied on corporations; to provide for a reduction and eventual elimination of
4 corporation income and corporation franchise taxes over a over a certain period of
5 time; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:287.11 and 601 are hereby amended and reenacted and R.S.
8 47:32(D) is hereby enacted to read as follows:

9 §32. Rates of tax

10 * * *

11 D.(1) Notwithstanding the provisions of Subsection C, the rates applicable
12 to each class of taxpayer set forth in Subsection A of this section shall be as follows:

13 (a) For taxable years beginning on or after January 1, 2016, and before
14 January 1, 2017, sixty-six percent.

15 (b) For taxable years beginning January 1, 2017, and before January 1, 2018,
16 thirty-three percent.

17 (2) For taxable years beginning on or after January 1, 2018, no corporation
18 income tax shall be assessed, levied, collected by the state or paid by domestic or
19 foreign corporations on taxable income.

20 * * *

1 §601. Imposition of tax

2 A. ~~Every~~ (1) Except as provided in Paragraphs (2) and (3), every domestic
3 corporation and every foreign corporation, exercising its charter, or qualified to do
4 business or actually doing business in this state, or owning or using any part or all
5 of its capital, plant, or any other property in this state, subject to compliance with all
6 other provisions of law, except as otherwise provided for in this Chapter shall pay
7 an annual tax at the rate of one dollar and fifty cents for each one thousand dollars,
8 or major fraction thereof on the first three hundred thousand dollars of taxable capital
9 and at the rate of three dollars for each one thousand dollars, or major fraction
10 thereof, which exceeds three hundred thousand dollars of taxable capital. Taxable
11 capital shall be determined as hereinafter provided. The tax levied herein is due and
12 payable on any one or all of the following alternative incidents:

13 ~~(1)(a)~~ (a) The qualification to carry on or do business in this state or the actual
14 doing of business within this state in a corporate form. The term "doing business"
15 as used herein shall mean and include each and every act, power, right, privilege, or
16 immunity exercised or enjoyed in this state, as an incident to or by virtue of the
17 powers and privileges acquired by the nature of such organizations, as well as, the
18 buying, selling, or procuring of services or property.

19 ~~(2)(b)~~ (b) The exercising of a corporation's charter or the continuance of its
20 charter within this state.

21 ~~(3)(c)~~ (c) The owning or using any part or all of its capital, plant, or other
22 property in this state in a corporate capacity.

23 (2) For taxable years beginning January 1, 2016, the tax levied pursuant to
24 the provisions of this Chapter shall be limited to the following percentages of the
25 amount otherwise levied pursuant to the provisions of this Chapter:

26 (a) For taxable years beginning on or after January 1, 2016, and before
27 January 1, 2017, sixty-six percent.

28 (b) For taxable years beginning on or after January 1, 2017, and before
29 January 1, 2018 sixty-six percent.

1 (3) For taxable years beginning on or after January 1, 2018, no corporation
2 income tax shall be assessed, levied, collected by the state or paid by domestic or
3 foreign corporations on taxable income.

4 B. It is the purpose of this Section to require the payment of this tax to the
5 state of Louisiana by domestic corporations for the right granted by the laws of this
6 state to exist as such an organization, and by both domestic and foreign corporations
7 for the enjoyment, under the protection of the laws of this state, of the powers, rights,
8 privileges, and immunities derived by reason of the corporate form of existence and
9 operation. The tax ~~hereby~~ imposed pursuant to the provisions of this Chapter shall
10 be in addition to all other taxes levied by any other statute.

11 C.(1) As used herein the term "domestic corporation" shall mean and include
12 all corporations, joint stock companies or associations, or other business
13 organizations organized under the laws of this state which have privileges, powers,
14 rights, or immunities not possessed by individuals or partnerships.

15 (2) The term "foreign corporation" shall mean and include all such business
16 organizations as ~~hereinbefore~~ described in ~~this~~ Paragraph (C)(1) of this Section
17 which are organized under the laws of any other state, territory or district, or foreign
18 country.

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)]

Ivey

HB No. 637

Abstract: Provides for the phasing-out of the corporation income tax and the corporation franchise tax over a period of 3 years.

Present law establishes the corporation income tax and levies such tax on corporations and entities taxed as corporations for federal income tax purposes. Proposed law phases out present law, as more fully explained below.

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

Present law provides that the tax 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.

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

- (1) For tax years beginning during 2016, 66% of the rates provided for in present law.
- (2) For tax years beginning during 2017, 33% of the rates provided for in present law.
- (3) No tax shall be assessed, levied, collected or paid upon the income of a corporation for any tax year commencing on or after January 1, 2018.

Present law (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. Proposed law phases out present law, as more fully explained below.

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

Present law 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.

Proposed law retains present law but provides that the amounts levied under present law shall be reduced by a cumulative 33% each year over the next 3 years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after 1/1/2018, no corporation income tax shall be assessed or paid.

CORPORATION FRANCHISE TAX

Present law (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. Proposed law phases out present law, as more fully explained below.

Present law provides that the tax shall be levied at the following rates:

- (1) \$1.50 per \$1,000 of taxable capital, up to \$300,000.
- (2) \$3.00 per \$1,000 of taxable capital above \$300,001.

Proposed law retains present law but provides that the amount levied under present law shall be reduced by a cumulative 33% each year over the next 3 years until the amount levied is

eliminated. Proposed law further provides that in taxable years beginning on or after 1/1/2018, no corporation franchise tax shall be assessed or paid.

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

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