
DIGEST

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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))