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## DIGEST

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HB 50 Original

2016 First Extraordinary Session

Abramson

**Abstract:** Provides relative to state taxation of corporations.

Present law provides that the tax to be assessed, levied, collected, and paid on the La. taxable income of every corporation shall be computed at the following rates:

- (1) 4% on the first \$25,000 of La. taxable income.
- (2) 5% on La. taxable income above \$25,000 but not in excess of \$50,000.
- (3) 6% on La. taxable income above \$50,000 but not in excess of \$100,000.
- (4) 7% on La. taxable income above \$100,000 but not in excess of \$200,000.
- (5) 8% on all La. taxable income in excess of \$200,000.

Proposed law eliminates the tiered tax rate schedule in favor of a flat 5% tax on La. taxable corporate income.

Present law (R.S. 47:601 et seq.) establishes the corporation franchise tax which tax is levied on every domestic and foreign corporation exercising its charter, qualified to do business, or actually doing business in La. It is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in Louisiana.

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 20% each year beginning Jan. 1, 2017, over the next five years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after Jan. 1, 2021, no corporation franchise tax shall be assessed or paid.

Present law provides for general administrative provisions governing the claiming of tax credits on income and corporation franchise taxes.

Proposed law retains present law but adds a limitation that the aggregate of all credits claimed, except for the inventory tax credit, against corporate income tax liability shall not reduce the corporate income tax liability below zero. Further authorizes the carryforward of any disallowed portion of a tax credit against a taxpayer's subsequent tax liability based on proposed law for five years.

Effective Jan. 1, 2017.

(Amends R.S. 47:287.12 and 601; Adds R.S. 47:1675(A)(7))