

2016 First Extraordinary Session

HOUSE BILL NO. 90

BY REPRESENTATIVE IVEY

TAX/CORP FRANCHISE: Phases out the corporation franchise tax (Item #28)

1 AN ACT

2 To amend and reenact R.S. 47:601, relative to the phasing-out of certain taxes levied on  
3 corporations; to provide for a reduction and eventual elimination of the corporation  
4 franchise tax over a certain period of time; to provide for an effective date; and to  
5 provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:601 is hereby amended and reenacted to read as follows:

8 §601. Imposition of tax; reduction

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

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

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

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

11          (2) For taxable years beginning January 1, 2017, the tax levied pursuant to  
12          the provisions of this Chapter shall be limited to the following percentages of the  
13          amount otherwise levied pursuant to the provisions of this Chapter:

14          (a) For taxable years beginning on or after January 1, 2017, and before  
15          January 1, 2018, seventy-five percent.

16          (b) For taxable years beginning on or after January 1, 2018, and before  
17          January 1, 2019, fifty percent.

18          (c) For taxable years beginning on or after January 1, 2019, and before  
19          January 1, 2020, twenty-five percent.

20          (d) For taxable years beginning on or after January 1, 2020, no corporation  
21          franchise tax shall be assessed, levied, or collected by the state nor paid by domestic  
22          or foreign corporations on taxable capital.

23          B. It is the purpose of this Section to require the payment of this tax to the  
24          state of Louisiana by domestic corporations for the right granted by the laws of this  
25          state to exist as such an organization, and by both domestic and foreign corporations  
26          for the enjoyment, under the protection of the laws of this state, of the powers, rights,  
27          privileges, and immunities derived by reason of the corporate form of existence and  
28          operation. The tax ~~hereby~~ imposed pursuant to the provisions of this Chapter shall  
29          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 (1) of this Subsection  
 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.

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#### 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)]

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HB 90 Original

2016 First Extraordinary Session

Ivey

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

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 La. It is also levied on any domestic or foreign corporation owning or using any part of its capital, plant, or other property in La. 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 per \$1,000 of taxable capital above \$300,000.

Proposed law retains present law but provides that the amount levied under present law shall be reduced by a cumulative 25% each year beginning Jan. 1, 2017, over the next three years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after Jan. 1, 2020, no corporation franchise tax shall be assessed or paid.

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

(Amends R.S. 47:601)