
DIGEST

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HB 364 Original

2023 Regular Session

Bishop

Abstract: Phases-out the corporate franchise tax over four years beginning Jan. 1, 2025.

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

Present law provides, beginning Jan. 1, 2023, that the rate of the tax shall be \$2.75 per \$1,000 of taxable capital above \$300,000.

Present law provides for the determination of taxable capital for purposes of levying the corporation franchise tax as well as the tax treatment of capital stock, surplus and undivided profits, and the allocation of taxable capital. Present law further provides for the administration of the tax as well as the collection and payment of the tax.

Present law requires every corporation or other entity subject to the franchise tax to pay only an initial tax of \$110 in the first accounting period in which it becomes subject to the tax. After the first closing of the corporate books, the tax is payable as provided in present law.

Proposed law provides for a four-year phase-out of the corporate franchise tax by reducing the tax rate as follows:

- (1) For taxable periods beginning on or after Jan. 1, 2025, and before Jan. 1, 2026, \$2.06 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (2) For taxable periods beginning on or after Jan. 1, 2026, and before Jan. 1, 2027, \$1.37 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (3) For taxable periods beginning on or after Jan. 1, 2027, and before Jan. 1, 2028, \$0.68 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (4) For taxable periods beginning on or after Jan. 1, 2028, no corporation franchise tax shall be assessed, levied, or collected by the state nor paid by domestic or foreign corporations on taxable capital.

Proposed law provides that no initial tax shall be levied or collected by the state nor paid by domestic

or foreign corporations for taxable periods beginning on or after Jan. 1, 2028.

Proposed law applies to all corporate franchise tax periods beginning on or after Jan. 1, 2025.

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

(Amends R.S. 47:601(B), (C)(2), and (D); Adds R.S. 47:601(E) and 611(C))