

2023 Regular Session

HOUSE BILL NO. 197

BY REPRESENTATIVE DEVILLIER

TAX/CORP FRANCHISE: Phases-out the corporation franchise tax over five years

1 AN ACT

2 To amend and reenact R.S. 47:601(B), (C)(2), and (D), to enact R.S. 47:601(E) and 611(C),
3 and to repeal R.S. 47:601.1 and 601.2, relative to the corporate franchise tax; to
4 provide for the rate of the corporate franchise tax; to provide for a reduction and
5 eventual elimination of the corporate franchise tax; to prohibit the levy of an initial
6 tax under certain circumstances; to repeal the automatic reduction in the corporate
7 franchise tax rate under certain circumstances; to provide for applicability; to provide
8 for an effective date; and to provide for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:601(B), (C)(2), and (D) are hereby amended and reenacted and
11 R.S. 47:601(E) and 611(C) are hereby enacted to read as follows:

12 §601. Imposition of tax

13 * * *

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

1 C.

2 * * *

3 (2) The term "foreign corporation" shall mean and include all ~~such~~ business
4 organizations ~~as hereinbefore~~ described in ~~this~~ Paragraph (1) of this Subsection
5 which are organized under the laws of any other state, territory or district, or foreign
6 country.

7 * * *

8 D. The annual tax levied on taxable capital pursuant to the provisions of this
9 Chapter shall be at the following rates:

10 (1) For taxable periods beginning before January 1, 2023, ~~the annual rates~~
11 ~~of tax shall be~~ one dollar and fifty cents for each one thousand dollars, or major
12 fraction thereof, on the first three hundred thousand dollars of taxable capital and
13 three dollars for each one thousand dollars, or major fraction thereof, in excess of
14 three hundred thousand dollars ~~of taxable capital~~.

15 (2) ~~Except as otherwise provided in R.S. 47:601.1 or 601.2, for~~ For taxable
16 periods beginning on or after January 1, 2023, and before January 1, 2024, ~~the annual~~
17 ~~rate of tax shall be~~ two dollars and seventy-five cents for each one thousand dollars,
18 or major fraction thereof, in excess of three hundred thousand dollars ~~of taxable~~
19 ~~capital~~.

20 (3) For taxable periods beginning on or after January 1, 2024, and before
21 January 1, 2025, two dollars and twenty cents for each one thousand dollars, or
22 major fraction thereof, in excess of three hundred thousand dollars.

23 (4) For taxable periods beginning on or after January 1, 2025, and before
24 January 1, 2026, one dollar and sixty-five cents for each one thousand dollars, or
25 major fraction thereof, in excess of three hundred thousand dollars.

26 (5) For taxable periods beginning on or after January 1, 2026, and before
27 January 1, 2027, one dollar and ten cents for each one thousand dollars, or major
28 fraction thereof, in excess of three hundred thousand dollars.

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 five-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, 2024, and before Jan. 1, 2025, \$2.20 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (2) For taxable periods beginning on or after Jan. 1, 2025, and before Jan. 1, 2026, \$1.65 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (3) For taxable periods beginning on or after Jan. 1, 2026, and before Jan. 1, 2027, \$1.10 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (4) For taxable periods beginning on or after Jan. 1, 2027, and before Jan. 1, 2028, \$0.55 for each \$1,000, or major fraction thereof, in excess of \$300,000.
- (5) 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.

Present law suspends the state corporation franchise tax levied on corporations at the rate of \$1.50 for each \$1,000 of taxable capital, or major fraction thereof, on the first \$300,000 for small business corporations that have taxable capital of \$1M or less for franchise tax periods beginning between July 1, 2020, and July 1, 2023.

Proposed law repeals present law.

Present law requires the reduction of the corporate franchise tax rate if, beginning April 1, 2024, and each April first thereafter the prior fiscal year's actual corporate income and franchise tax collections as reported in the state's accounting system exceed the actual corporate income and franchise tax collections for the fiscal year ending June 30, 2019, adjusted annually by the growth factor provided for in existing constitution. If the conditions in present law are met, corporate franchise tax rates are reduced beginning the following Jan. first.

Present law requires the reduced rate to be calculated by multiplying the current rate by the difference between one and the percentage change in corporate income and franchise tax collections in excess of the corporate income and franchise tax collections for Fiscal Year 2018-2019 adjusted annually by the growth factor as provided for in present constitution. Further prohibits this reduction unless both of the following conditions are met:

- (1) The prior fiscal year's actual total tax, licenses, and fees exceed the actual total tax, licenses, and fees for Fiscal Year 2018-2019, adjusted annually by the growth factor provided for in existing constitution.
- (2) The Budget Stabilization Fund balance as determined by the treasurer is at least 2.5% of the total state revenue receipts from the prior fiscal year.

Proposed law repeals present law.

Proposed law applies to all corporate franchise tax periods beginning on or after Jan. 1, 2024.

Effective Jan. 1, 2024.

(Amends R.S. 47:601(B), (C)(2), and (D); Adds R.S. 47:601(E) and 611(C); Repeals R.S. 47:601.1 and 601.2)