

DRAFT RESOLUTION: Corporate Taxation

Proposed by: Jim Richardson, James Alm, Steven Sheffrin

WHEREAS, Louisiana has taxed corporate income at rates of 4%, 5%, 6%, 7%, and 8% marginal tax rates with the highest rate being applicable at \$200,000 of taxable corporate income since 1977 with certain exemptions, deductions, and credits being applicable;

WHEREAS, corporations have received a deduction for federal taxes paid with this deduction being estimated at \$200 million in fiscal 2014-2015

WHEREAS, the tax study commissioned by the State Legislature and prepared by Richardson, Alm, and Sheffrin and the tax analysis prepared by the Tax Foundation both suggested the elimination of this deduction along with a lower, single corporate tax rate;

WHEREAS, the 2016 Special Session of the Louisiana Legislature proposed and passed a constitutional amendment to be on the ballot in November 2016 asking the people of the state to approve the removal of federal tax payments as a deduction for corporations in defining Louisiana taxable corporate income and also passed a bill that would change the multiple rates of 4% to 8% to a single rate of 6.5% if the people approved the proposed constitutional amendment

Accordingly, the Task Force commends the Louisiana Legislature and the Governor for proposing this basic reform and wishes to strongly support the effort to lower overall tax rates through the expansion of the tax base as well as other reform measures passed in the special session such as the add back provision plus others

Accordingly, the Task Force recommends the state consider and, if necessary, change the timing of the vote on the constitutional amendment regarding the elimination of federal tax payments as a deduction in the computation of corporate taxable income.