

SUPPORT HB 106 by Greene/Adley and 36 Coauthors

Tax Competitiveness Case for Business Retention and Entrepreneurism

What does the bill do?

- HB 106 establishes a limited income tax exclusion for net capital gains.
- The bill was amended in Ways and Means to significantly narrow the exclusion to only apply to the sale of privately held companies in Louisiana.
- Passed the House 89-7 and the Senate 37-0.

What is the issue?

- Louisiana currently includes all investment income, such as capital gains, in the total taxable income for personal income taxes, up to the full tax rate of 6%.
- Other southern states such as Texas, Florida, and Tennessee have 0% income tax, while Arkansas and South Carolina provide a major tax reduction for capital gains.
- Thus, Louisiana is not competitive in its tax policy on capital gains, relative to 2 of our 3 neighboring states and 5 southern states in all.

How does this impact business and jobs?

- Louisiana Business Owners who build up successful companies and then sell to retire one day, or to open another business, are being lured to Texas and Florida.
- Entrepreneurs who want to start a venture in Louisiana are currently disadvantaged, relative to other states, while Louisiana is trying to attract new investment, especially in technology, bioscience, digital media, and other innovation sectors.

Bottom Line

- Louisiana's tax treatment of capital gains has "unintended consequences" of negatively impacting business location and expansion decisions, as supported in a tax analysis study by Dr. Jim Richardson of LSU, conducted in 2008.
- Removing this burdensome provision from our tax code is intended to retain privately held businesses/owners, rather than risk their movement, assets, and philanthropy to other states.
- Targeted tax policy modifications will "level the playing field" for Louisiana to be more tax competitive and encourage entrepreneurship and investment.

Tax Competitiveness Coalition

- Greater New Orleans, Inc.
- National Federation of Independent Business
- Southwest Louisiana Chamber
- LA Coalition for Capital
- LA Technology Council
- Jefferson Business Council
- St. Bernard Chamber of Commerce
- Northshore Business Council
- LA Society of CPAs
- LA Industrial Development Executives Association
- Lafayette Economic Development
- LA Emerging Technology Center
- New Orleans Business Council
- Plaquemines Association of Business & Industry
- Roy O. Martin
- VCE Capital