

Louisiana Forward Tax Reform

Corporate Income & Franchise Tax Reform to
Unleash Louisiana's Economic Potential

October 8, 2024

Richard Nelson
Secretary

Luke Morris
Assistant Secretary

Current Law- Corporation Income Tax

- Louisiana corporation income tax is assessed on (1) the amount of income apportion-able to Louisiana and (2) the amount of income allocable to Louisiana
 - Apportionment is based on a ratio
 - For most business, the ratio is Louisiana sales divided by total sales
 - Allocation is limited to specific types of income
 - Rent, royalties, and revenue from intangibles
- Louisiana currently has 3 brackets for corporate income tax based on income:

Tax Years 1934-1976		Tax Years 1977-2021		Tax Year 2022 and After	
		4%	\$0 - \$25k		
		5%	\$25k - \$50k	3.5%	\$0 - \$50k
4%	\$3k and over	6%	\$50k - \$100k	5.5%	\$50k - \$150k
		7%	\$100k - \$200k	7.5%	\$150k and over
		8%	\$200k and over		

Corporate Income Tax Collections

Five-Year Comparison

Fiscal Year	Amount Collected	Percent Change
2022-23	\$1,235,599,956	16.98%
2021-22	\$1,056,248,656	86.14% ¹
2020-21	\$567,462,223	32.63%
2019-20	\$427,855,828	-9.47%
2018-19	\$472,605,188	31.76%

¹FY 22 tax rate decreased effective January 1, 2022.

Received During Fiscal Year 2023

Taxable Income Bracket	Number of Returns	Percent of Total Returns	Taxable Income	Income Tax Liability ¹	Percent of Total Liability
less than or equal to 0	43	7.26%	\$ (22,294,462)	\$ 0	0.00%
1 - 25,000	31	5.24%	341,887	6,445	0.01%
25,001 - 50,000	20	3.38%	708,808	17,583	0.04%
50,001 - 100,000	36	6.08%	2,466,159	75,009	0.15%
100,001 - 500,000	211	35.64%	51,117,354	2,188,604	4.26%
500,001 - 1,000,000	89	15.03%	58,446,019	2,798,782	5.45%
1,000,001 - 2,000,000	70	11.82%	89,532,565	4,198,899	8.18%
2,000,001 - 5,000,000	51	8.62%	143,888,862	7,429,692	14.47%
> 5,000,000	41	6.93%	639,175,579	34,622,537	67.44%
TOTALS	592	100%	\$ 963,382,771	\$ 51,337,551	100%

¹This amount is the tax due on the return before any credits or prepayments.

Corporation Franchise Tax

- Tax is imposed on every domestic corporation and every foreign corporation authorized or doing business in the state or using any part of its capital, plant, or any other property in the state
- Rates:
 - For periods beginning prior to January 1, 2023, the tax is assessed on the taxable base at the rate of \$1.50 per \$1,000 on the first \$300,000 and \$3.00 per \$1,000 over \$300,000
 - **For periods beginning on or after January 1, 2023, the tax is assessed on the taxable base at the rate of \$2.75 for each \$1,000 in excess of \$300,000**
 - The tax is based on the larger of the assessed value of all real and personal property in the state or the amount of issued and outstanding capital stock, surplus, and undivided profits attributable to Louisiana

Corporate Franchise Tax Collections

Five-Year Comparison

Fiscal Year	Amount Collected	Percent Change
2022-23	\$411,620,495	18.74%
2021-22	\$352,082,885	83.26 ¹
2020-21	\$189,154,074	28.20%
2019-20	\$147,547,422	-6.41%
2018-19	\$157,659,848	31.86%

¹FY 22 tax rate decreased effective January 1, 2022.

Corporate Income & Franchise Tax Expenditures

Tax Incentive <i>(Credits, Rebates, Programs)</i>	No. of Claimants	Corp. Income <i>(139,944 Filers)</i>	Corp. Franchise <i>(13,409 Filers)</i>	Ind. Income <i>(2,124,970 Filers)</i>	Sales Tax Rebates	Revenue Loss	Economic ROI	Fiscal ROI
Inventory Tax	7,691	\$146,072,527	\$107,012,279	\$31,162,957		\$284,247,763	N/A	N/A
Quality Jobs	110	\$141,430,344			\$8,631,312	\$150,061,656	67.66%	-89.32%
Motion Picture	112	\$130,846,673		\$3,635,537		\$134,482,210	60.04%	-89.58%
Historic Structures	1,009	\$27,110,506	\$4,276,716	\$54,872,368		\$86,259,590	13.61%	-91.15%
Enterprise Zones	168	\$17,200,604	\$435,511	\$2,809,619	\$2,624,404	\$23,070,138	23.76%	-91.41%
Digital Media	41	\$16,871,297		\$43,580		\$16,914,877	80.11%	-88.84%
Research & Development	199	\$1,229,292	\$1,544,255	\$8,714,537		\$11,488,084	-8.97%	-92.67%
Retention & Modernization	4	\$2,040,000	\$262,000			\$2,302,000	4.66%	-94.37%
Industrial Tax Equalization	26	\$1,309,022	\$461,097	\$434,839		\$2,204,958	-16.52%	-95.19%
Angel Investor	252	\$25,965	\$54,654	\$1,701,395		\$1,782,014	-18.70%	-92.71%
Manufacturing Establishments	3	-\$75,096	-\$41,424		\$1,002,950	\$886,430	N/A	N/A
Musical & Theatrical	4	\$758,797				\$758,797	N/A	N/A
Sound Recording	2	\$47,229				\$47,229	N/A	N/A
Totals	9,621	\$484,867,160	\$114,005,088	\$103,374,832	\$12,258,666	\$714,505,746		

2021 Reform

- Constitutional amendment to allow the Legislature to provide for a deduction for federal income taxes paid in statute
 - Legislative repeal of FIT deduction and bulk of federal excess itemized deduction
 - Removed the inverse effect of a decrease in state tax resulting from an increase in federal tax, or an increase in state tax resulting from a decrease in federal tax
- Statutory Triggers
 - Every January 1, if the 3 following conditions are met, the corporate franchise tax rate will be reduced:
 - Condition 1: Total Corporate Collections (both franchise tax and income tax) of the previous fiscal year (FY 24) must exceed the actual corporation income and franchise tax collections for FY 2019, as reported in the states accounting system, adjusted annually by the growth factor (provided for in the constitution)
 - Condition 2: Total actual collections of Tax, License, and Fee collections, as it appears on the REC sheets, of the previous fiscal year (FY 24) must exceed the actual tax, license, and fee collections for FY 2019, as reported in the states accounting system, adjusted annually by the growth factor (provided for in the constitution)
 - Condition 3: The Budget Stabilization Fund balance as determined by treasury is at least 2.5% of the total state revenue receipts from the prior fiscal year (FY 24)
- If all conditions are met, the rate reduction is triggered and the new rates go into effect the following January of the calculation

Corporation Income & Franchise Tax Reform

- Repeal Corporation Franchise Tax
 - Net Loss: \$400 Million
 - Does not currently affect general fund
 - Repeal Inventory Tax Credit & Other Tax Incentive Programs
 - 3.5% Flat Corporation Income Tax down from current 7.5% Top Rate
 - Provide for Permanent Full Expensing
- 