

2017 Regular Session

HOUSE BILL NO. 433

BY REPRESENTATIVE SHADOIN

TAX/CORP FRANCHISE: Phases out the corporate franchise tax over a ten-year period beginning January 1, 2020

1 AN ACT

2 To amend and reenact R.S. 47:601(A), (B), and (C)(2), relative to the corporate franchise  
3 tax; to provide for the rate of the corporate franchise tax; to provide for a reduction  
4 and eventual elimination of the corporate franchise tax; to provide for applicability;  
5 and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:601(A), (B), and (C)(2) are hereby amended and reenacted to read  
8 as follows:

9 §601. Imposition of tax

10 A.(1) Except as provided for in Paragraph (2) of this Subsection, every  
11 ~~Every~~ domestic corporation and every foreign corporation, exercising its charter, or  
12 qualified to do business or actually doing business in this state, or owning or using  
13 any part or all of its capital, plant, or any other property in this state, subject to  
14 compliance with all other provisions of law, except as otherwise provided for in this  
15 Chapter shall pay an annual tax at the rate of one dollar and fifty cents for each one  
16 thousand dollars, or major fraction thereof on the first three hundred thousand dollars  
17 of taxable capital and at the rate of three dollars for each one thousand dollars, or  
18 major fraction thereof, which exceeds three hundred thousand dollars of taxable  
19 capital. Taxable capital shall be determined as hereinafter provided. The tax levied  
20 herein is due and payable on any one or all of the following alternative incidents:

1           ~~(1)~~(a) The qualification to carry on or do business in this state or the actual  
2           doing of business within this state in a corporate form. The term "doing business"  
3           as used herein shall mean and include each and every act, power, right, privilege, or  
4           immunity exercised or enjoyed in this state, as an incident to or by virtue of the  
5           powers and privileges acquired by the nature of such organizations, as well as, the  
6           buying, selling, or procuring of services or property.

7           ~~(2)~~(b) The exercising of a corporation's charter or the continuance of its  
8           charter within this state.

9           ~~(3)~~(c) The owning or using any part or all of its capital, plant, or other  
10          property in this state whether owned directly or indirectly by or through a  
11          partnership, joint venture, or any other business organization of which the domestic  
12          or foreign corporation is a related party as defined in R.S. 47:605.1.

13          (2) The tax levied pursuant to the provisions of this Chapter shall be limited  
14          to the following percentages of the amount otherwise levied pursuant to the  
15          provisions of this Chapter:

16                 (a) For taxable years beginning on or after January 1, 2020, and before  
17                 January 1, 2021, ninety percent.

18                 (b) For taxable years beginning on or after January 1, 2021, and before  
19                 January 1, 2022, eighty percent.

20                 (c) For taxable years beginning on or after January 1, 2022, and before  
21                 January 1, 2023, seventy percent.

22                 (d) For taxable years beginning on or after January 1, 2023, and before  
23                 January 1, 2024, sixty percent.

24                 (e) For taxable years beginning on or after January 1, 2024, and before  
25                 January 1, 2025, fifty percent.

26                 (f) For taxable years beginning on or after January 1, 2025, and before  
27                 January 1, 2026, forty percent.

28                 (g) For taxable years beginning on or after January 1, 2026, and before  
29                 January 1, 2027, thirty percent.

1             (h) For taxable years beginning on or after January 1, 2027, and before  
2             January 1, 2028, twenty percent.

3             (i) For taxable years beginning on or after January 1, 2028, and before  
4             January 1, 2029, ten percent.

5             (j) For taxable years beginning on or after January 1, 2029, no corporation  
6             franchise tax shall be assessed, levied, or collected by the state nor paid by domestic  
7             or foreign corporations on taxable capital.

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

15            C.(1) As used herein the term "domestic corporation" shall mean and include  
16            any of the following:

17   \*           \*           \*

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

22   \*           \*           \*

23            Section 2. The provisions of this Act shall be applicable to all corporate franchise  
24            periods beginning on and after January 1, 2020.

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HB 433 Original

2017 Regular Session

Shadoin

**Abstract:** Provides for the phasing out of the corporation franchise tax over a 10-year period beginning in tax year 2020.

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. Corporate 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. Proposed law phases out present law, as more fully explained below.

Present law provides that the tax shall be levied at the following rates:

- (1) \$1.50 per \$1,000 of taxable capital, up to \$300,000.
- (2) \$3 per \$1,000 of taxable capital above \$300,001.

Proposed law retains present law but provides that the amount levied under present law shall be reduced by a cumulative 10% each year beginning Jan. 1, 2020, over the next 10 years until the amount levied is eliminated. Proposed law further provides that in taxable years beginning on or after Jan. 1, 2029, no corporation franchise tax shall be assessed or paid.

Applicable to all corporate franchise periods beginning on and after Jan. 1, 2020.

(Amends R.S. 47:601(A), (B), and (C)(2))