The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Leonore Heavey.

## DIGEST 2019 Regular Session

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<u>Present law</u> requires Subchapter S corporations to pay Louisiana income tax using the corporate income tax rate and bracket schedule as follows:

(1) 4% on the first \$25,000 of La. taxable income.

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- (2) 5% on La. taxable income above \$25,000 but not in excess of \$50,000.
- (3) 6% on La. taxable income above \$50,000 but not in excess of \$100,000.
- (4) 7% on La. taxable income above \$100,000 but not in excess of \$200,000.
- (5) 8% on all La. taxable income in excess of \$200,000.

<u>Proposed law</u> provides an election that authorizes S corporations to file and pay tax on their Louisiana income as if they were C corporations.

<u>Proposed law</u> changes the Subchapter S corporation state income tax rates to the married individual income tax rates and brackets for S corporations that elect to be taxed at the corporate level:

- (1) 2% on the first \$25,000 of La. taxable income.
- (2) 4% on La. taxable income above \$25,000 but not in excess of \$100,000.
- (3) 6% on La. taxable income in excess of \$100,000.

<u>Present law</u> provides a deduction for federal income tax paid on Louisiana income for the taxable year.

<u>Proposed law</u> authorizes Subchapter S corporations that elect to file and pay Louisiana income tax as if they were a corporation a deduction for the amount of federal income tax the corporations would have paid on its Louisiana income if it had been taxed as a C corporation for federal income tax purposes.

<u>Present law</u> provides a corporation income tax exclusion for Subchapter S income that is reported on a Louisiana individual resident or nonresident income tax return.

<u>Proposed law retains present law Subchapter S exclusion for S corporations not making the proposed law election and further provides an individual income tax exclusion for Louisiana Subchapter S exclusion for Louisiana S exclusion for </u>

income and losses that are included in Louisiana individual income taxpayer's federal adjusted gross income for that taxable year.

<u>Present law</u> requires individual income taxpayers to inform the secretary of revenue of federal income tax adjustments.

<u>Proposed law retains present law and requires individual income taxpayers who use the proposed law S corporation exclusion to notify the secretary if changes are made to their federal income tax return due to adjustments to an S corporation's income or losses.</u>

<u>Present law</u> requires S corporations to use corporation income tax credits at the corporation level unless the S corporation annually elects to flow corporation income tax credits to shareholders.

<u>Proposed law</u> retains <u>present law</u> requiring S corporations to use credits at the corporation level and ends the annual election to flow through credits on Jan. 1, 2019.

<u>Proposed law</u> applies to all taxable years beginning on or after Jan. 1, 2019.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 47:287.732(B)(1), 293(10), and 1675(G); adds R.S. 47:287.732(B)(6), 287.732.2, 293(9)(a)(xviii), and 297.14)