

2017 Regular Session

HOUSE BILL NO. 649

BY REPRESENTATIVE BROADWATER

TAX/TAXATION: Provides with respect to corporate and individual income taxes

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 241, 287.12, 287.69, 293(10), 295(B), 300.6(A), and
3 300.7(A) and to repeal R.S. 47:55(5), 287.79, 287.83, 287.85, 287.442(B)(1), 293(4)
4 and (9)(a)(ii), 296.1(B)(3)(c), and 298, relative to income tax; to provide relative to
5 the deductibility of federal income taxes; to repeal deductibility of federal income
6 taxes paid for purposes of calculating individual and corporate income taxes; to
7 reduce the number of corporate income tax rate categories; to reduce certain tax rates
8 for corporate and individual income tax; to provide for the administration of rate
9 reductions; to provide for applicability; to provide for an effective date; and to
10 provide for related matters.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 47:32(A), 241, 287.12, 287.69, 293(10), 295(B), 300.6(A), and
13 300.7(A) are hereby amended and reenacted to read as follows:

14 §32. Rates of tax

15 A. On individuals. The tax to be assessed, levied, collected and paid upon
16 the taxable income of an individual shall be computed at the following rates:

- 17 (1) ~~Two~~ One percent on that portion of the first twelve thousand five
18 hundred dollars of net income which is in excess of the credits against net income
19 provided for in R.S. 47:79; ;

1 benefit was included in federal adjusted gross income, the exclusion provided for in
 2 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by
 3 I.R.C. Section 280C, the deduction for net capital gains, and personal exemptions
 4 and deductions provided for in R.S. 47:294. The proportionate amount is to be
 5 determined by the ratio of Louisiana income to federal adjusted gross income. When
 6 federal adjusted gross income is less than Louisiana income, the ratio shall be one
 7 hundred percent.

8 * * *

9 §295. Tax imposed on individuals; administration

10 * * *

11 B. The secretary shall establish tax tables that calculate the tax owed by
 12 taxpayers based upon where their taxable income falls within a range that shall not
 13 exceed two hundred fifty dollars. The secretary shall provide in the tax tables that
 14 the combined personal exemption, standard deduction, and other exemption
 15 deductions in R.S. 47:294 shall be deducted from the ~~two percent~~ bracket provided
 16 in R.S. 47:32(A)(1). If such combined exemptions and deductions exceed ~~the two~~
 17 ~~percent~~ that bracket, the excess shall be deducted from the ~~four percent~~ bracket
 18 provided in R.S. 47:32(A)(2). If such combined exemptions and deductions exceed
 19 the ~~two and four percent~~ two brackets, the excess shall be deducted from the ~~six~~
 20 ~~percent~~ bracket provided in R.S. 47:32(A)(3).

21 * * *

22 §300.6. Louisiana taxable income of resident estate or trust

23 A. Definition. "Louisiana taxable income" of a resident estate or trust means
 24 the taxable income of the estate or trust determined in accordance with federal law
 25 for the same taxable year, as specifically modified by the provisions contained in
 26 Subsection B of this Section, ~~less a federal income tax deduction to be computed~~
 27 ~~following the provisions of R.S. 47:287.83 and 287.85.~~

28 * * *

1 §300.7. Louisiana taxable income of nonresident estate or trust

2 A. Definition. "Louisiana taxable income" of a nonresident estate or trust
3 means such portion of the taxable income of the nonresident estate or trust
4 determined in accordance with federal law for the same taxable year, as specifically
5 modified by the provisions contained in Subsection C of this Section, that was earned
6 within or derived from sources within this state, ~~less a federal income tax deduction~~
7 ~~to be computed following the provisions of R.S. 47:287.83 and 287.85.~~

8 * * *

9 Section 2. R.S. 47:55(5), 287.79, 287.83, 287.85, 287.442(B)(1), 293(4) and
10 (9)(a)(ii), 296.1(B)(3)(c), and 298 are hereby repealed in their entirety.

11 Section 3. The provisions of this Act shall be applicable for all taxable periods
12 beginning on or after January 1, 2018.

13 Section 4. This Act shall take effect and become operative on January 1, 2018, if
14 the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act
15 which originated as House Bill No. _____ of this 2017 Regular Session of the Legislature
16 is adopted at a statewide election and becomes effective.

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)]

HB 649 Original 2017 Regular Session Broadwater

Abstract: Eliminates the federal income tax deduction to individual and corporate income taxes, reduces the individual income tax rates, and reduces the corporate income tax rates.

Present law authorizes the deduction of federal income taxes from individual and corporate income taxes. Present law provides a method to determine the taxable year in which to claim the federal income tax reduction and provides a method for calculating the federal income tax reduction, including federal taxes on exempt income for individual taxpayers. Present law authorizes the secretary of the Dept. of Revenue to establish special withholding tax tables that take into account the federal income tax deduction. Proposed law repeals present law.

Present law provides for a tax to be levied and collected upon the taxable income of an individual at the following rates:

- (1) 2% on the first \$12,500 of net income.

- (2) 4% on the next \$37,500 of net income.
- (3) 6% on net income in excess of \$50,000.

Proposed law reduces the individual income tax rates as follows:

- (1) From 2% on the first \$12,500 of net income to 1% on the first \$12,500 of net income.
- (2) From 4% on the next \$37,500 of net income to 3% on the next \$37,500 of net income.
- (3) From 6% on net income in excess of \$50,000 to 5% on net income in excess of \$50,000.

Present law requires the secretary of the Dept. of Revenue to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that shall not exceed \$250. Further requires the secretary to provide for the deduction of certain exemptions and deductions from income that falls within certain brackets.

Proposed law retains present law but updates the bracket references in light of changes in proposed law.

Present law provides that a tax be levied and collected on the La. taxable income of every corporation.

Present law provides that the rate of the tax be computed as follows:

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

Proposed law provides that the rate of the tax be computed as follows:

- (1) 3% on the first \$25,000 of La. taxable income.
- (2) 5% on La. taxable income above \$25,000 but not in excess of \$150,000.
- (3) 7% on La. taxable income in excess of \$150,000.

Applicable to all tax years beginning on or after Jan. 1, 2018.

Effective Jan. 1, 2018, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ____ of this 2017 R.S. is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 287.12, 287.69, 293(10), 295(B), 300.6(A), and 300.7(A); Repeals R.S. 47:55(5), 287.79, 287.83, 287.85, 287.442(B)(1), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298)