



**LOUISIANA**  
DEPARTMENT *of* REVENUE

# Review of Louisiana's Income and Franchise Taxes

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House Committee on  
Ways and Means

**Subcommittee on  
State Tax Structure**

November 2, 2022

# Overview

## ☐ Income Tax

- ☐ Individual Income
- ☐ Pass-Through Entity
- ☐ Corporation Income

## ☐ Corporation Franchise Tax

## ☐ Collections vs. Tax Expenditures

“Tax Expenditures” means those revenue losses attributable to provisions of the state tax statutes or rules promulgated pursuant to such statutes, which allow a special exclusion, exemption, or deduction from gross income or sales or which provide a special credit, a preferential rate of tax, or a deferral of tax liability

# Individual Income Tax

# Taxpayers

## Businesses “Pass-Through Entity”

- Sole proprietorship
- Partnership
- Limited liability company
- S corporation
- For 2018:
  - About 10% (\$12B) of income reported by individuals is business pass-through income

## Resident Individuals

- Individual domiciled in state
- Individual with permanent place of abode in state
- Individual residing in state for 6 months
- A resident must file a state tax return if required to file a federal return
  - *Income > Standard Deduction*

## Nonresident Individuals

- Individual with income from Louisiana sources:
  - Property located in LA
  - Services rendered in LA
  - Business transacted in LA
  - Sources within LA

# Conformity with Internal Revenue Code

- Louisiana is one of about 20 states with rolling conformity.
  - In 1980, Louisiana adopted a piggyback tax structure:
    - “...intended to conform the Louisiana individual income tax law with the United States Internal Revenue Code, except as otherwise expressly provided, in order to simplify the taxpayer's filing of returns, reduce the taxpayer's accounting burden, and facilitate the collection and administration of these taxes.”
  - Tax statutes in effect before 1980 remain in Title 47 but are deemed superseded by non-conflicting current law.

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2021**  
**U.S. Individual Income Tax Return**

# Piggyback Example

(2021 and Earlier)

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	
5a	Pensions and annuities	5a	
6a	Social security benefits	6a	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
8	Other income from Schedule 1, line 10	8	
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b>	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your <b>adjusted gross income</b>	11	
12a	<b>Standard deduction or itemized deductions</b> (from Schedule A)	12a	
12b	Charitable contributions if you take the standard deduction (see instructions)	12b	
12c	Add lines 12a and 12b	12c	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12c and 13	14	
15	<b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0-	15	
16	<b>Tax</b> (see instructions). Check if any from Forms: 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	
19	Nonrefundable child tax credit or credit for other dependents from Schedule 8812	19	
20	Amount from Schedule 3, line 8	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Other taxes, including self-employment tax, from Schedule 1, line 11	23	
24	Add lines 22 and 23. This is your <b>total tax</b>	24	

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## 2021 LOUISIANA RESIDENT

7	FEDERAL ADJUSTED GROSS INCOME – If your Federal Adjusted Gross Income is less than zero, enter "0."	7	
8A	FEDERAL ITEMIZED DEDUCTIONS	8A	
8B	FEDERAL STANDARD DEDUCTION	8B	
8C	EXCESS FEDERAL ITEMIZED DEDUCTIONS – Subtract Line 8B from Line 8A.	8C	
9	FEDERAL INCOME TAX – If your federal income tax has been decreased by a federal disaster credit allowed by the IRS, see Schedule H.	9	
10	YOUR LOUISIANA TAX TABLE INCOME – Subtract Lines 8C and 9 from Line 7. If less than zero, enter "0." Use this figure to find your tax in the tax tables.	10	
11	YOUR LOUISIANA INCOME TAX – Enter the amount from the tax table that corresponds with your filing status.	11	

Form **1040**

Department of the Treasury—Internal Revenue Service

**U.S. Individual Income Tax Return****2022**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Income**

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

**Standard Deduction for—**

- Single or Married filing separately, \$12,950
- Married filing jointly or Qualifying surviving spouse, \$25,900
- Head of household, \$19,400
- If you checked any box under Standard Deduction, see instructions.

<b>1a</b>	Total amount from Form(s) W-2, box 1 (see instructions)	<b>1a</b>	155,000
<b>b</b>	Household employee wages not reported on Form(s) W-2	<b>1b</b>	
<b>c</b>	Tip income not reported on line 1a (see instructions)	<b>1c</b>	
<b>d</b>	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	<b>1d</b>	
<b>e</b>	Taxable dependent care benefits from Form 2441, line 26	<b>1e</b>	
<b>f</b>	Employer-provided adoption benefits from Form 8839, line 29	<b>1f</b>	
<b>g</b>	Wages from Form 8919, line 6	<b>1g</b>	
<b>h</b>	Other earned income (see instructions)	<b>1h</b>	
<b>i</b>	Nontaxable combat pay election (see instructions)	<b>1i</b>	
<b>z</b>	Add lines 1a through 1h	<b>1z</b>	
<b>2a</b>	Tax-exempt interest	<b>2a</b>	
<b>3a</b>	Qualified dividends	<b>3a</b>	
<b>4a</b>	IRA distributions	<b>4a</b>	
<b>5a</b>	Pensions and annuities	<b>5a</b>	
<b>6a</b>	Social security benefits	<b>6a</b>	
<b>c</b>	If you elect to use the lump-sum election method, check here (see instructions)		
<b>7</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here	<b>7</b>	
<b>8</b>	Other income from Schedule 1, line 10	<b>8</b>	178,414
<b>9</b>	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b>	<b>9</b>	343,677
<b>10</b>	Adjustments to income from Schedule 1, line 26	<b>10</b>	0
<b>11</b>	Subtract line 10 from line 9. This is your <b>adjusted gross income</b>	<b>11</b>	343,677
<b>12</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A)	<b>12</b>	43,812
<b>13</b>	Qualified business income deduction from Form 8995 or Form 8995-A	<b>13</b>	
<b>14</b>	Add lines 12 and 13	<b>14</b>	43,812
<b>15</b>	Subtract line 14 from line 11. If zero or less, enter -0-. This is your <b>taxable income</b>	<b>15</b>	299,865

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2022)

# Piggyback Example

(2022 and After)

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**2022 LOUISIANA RESIDENT**

<b>7</b>	<b>FEDERAL ADJUSTED GROSS INCOME</b> — If your Federal Adjusted Gross Income is less than zero, enter "0."	From Louisiana Schedule E, attached	<b>7</b>				3	4	3	6	7	7	00
If you did not itemize your deductions on your federal return, leave Lines 8A through 8D blank and go to Line 9.													
<b>8A</b>	<b>FEDERAL ITEMIZED DEDUCTIONS</b>		<b>8A</b>				4	3	8	1	2	00	
<b>8B</b>	<b>FEDERAL ITEMIZED DEDUCTION FOR MEDICAL AND DENTAL EXPENSES</b>		<b>8B</b>				1	5	4	3	2	00	
<b>8C</b>	<b>FEDERAL STANDARD DEDUCTION</b>		<b>8C</b>				2	5	9	0	0	00	
<b>8D</b>	<b>EXCESS FEDERAL ITEMIZED DEDUCTIONS</b> — Subtract Line 8C from Line 8B.		<b>8D</b>								0	00	
<b>9</b>	<b>YOUR LOUISIANA TAX TABLE INCOME</b> — Subtract Line 8D from Line 7. If less than zero, enter "0." Use this figure to find your tax in the tax tables.		<b>9</b>				3	4	3	6	7	7	00

# Tax Table Calculation

Federal Adjusted  
Gross Income  
*(Includes NOLs)*



+/-  
Louisiana Specific  
Income/Deductions/  
Exemptions/Exclusions



=  
Louisiana Adjusted  
Gross Income



=  
Louisiana Tax Table  
Income



-  
Federal Income Tax  
(2021 and Earlier)



-  
Excess Itemized  
Deductions  
(Medical 2022)




# Historical Rates & Brackets

<b>Taxpayer Filing Status</b>	<b>Tax Years 2003-2008</b>		<b>Tax Years 2009-2021</b>		<b>Tax Year 2022 and After</b>	
Married filing jointly	2%	\$0 - \$25k	2%	\$0 - \$25k	1.85%	\$0 - \$25k
	4%	\$25k - \$50k	4%	\$25k - \$100k	3.5%	\$25k - \$100k
Surviving spouse	6%	\$50k and over	6%	\$100k and over	4.25%	\$100k and over
Single						
Head of household	2%	\$0 - \$12.5k	2%	\$0 - \$12.5k	1.85%	\$0 - \$12.5k
	4%	\$12.5k - \$25k	4%	\$12.5k - \$50k	3.5%	\$12.5k - \$50k
Married filing separately	6%	\$25k and over	6%	\$50k and over	4.25%	\$50k and over

*Reduction triggers in place based on growth factors*

### Number of Returns Received During Fiscal Year 2021



Filing Status	Resident	Non-Resident	Total
Head of Household	421,074	24,824	445,898
Married Filing Jointly	690,573	118,008	808,581
Married Filing Separate	38,283	6,523	44,806
Qualifying Widow(er)	1,243	102	1,345
Single	1,033,386	106,828	1,140,214
<b>TOTALS</b>	<b>2,184,559</b>	<b>256,285</b>	<b>2,440,844</b>

*For MFJ, two individual taxpayers per return.*

### Louisiana Resident Returns Received During Fiscal Year 2021

Source of Returns	Number of Returns	Amount
Federal AGI	2,054,563	\$ 135,542,879,681
Louisiana AGI	2,021,798	\$ 126,906,972,178
Excess Itemized Deductions	147,836	\$ 13,126,259,783
Tax Withheld	1,752,195	\$ 3,562,298,898
Estimated Payments	60,912	\$ 411,246,505
Louisiana Income Tax	1,797,450	\$ 4,041,863,663
Nonrefundable Credits	143,828	\$ 153,152,942
Refundable Credits	567,602	\$ 120,702,754

# Taxpayers Compared to Population

- Latest Census estimate (July 2021)
  - Population of 4.6M
- Taxpayers/Filers and Dependents
  - About 4.1M total
    - Dependents: 1.2M
      - Children
      - Other dependents
  - Nonfilers account for about 600k
    - Only filers with income > standard deduction are required to file
      - About 156k households earning under \$10k
      - About 96k householders earning between \$10-15k
      - About 214k householders earning between \$15-25k

# Tax Tables

- Louisiana Tax Tables account for the following:
  - Standard deduction and personal exemption(s)
    - \$4,500 (S, MFS)
    - \$9,000 (MFJ, HOH, SS)
  - Additional deduction (\$1,000 if blind or 65+)
  - Deduction dependent (\$1,000/dependent)

If your Louisiana tax table income (Line 10 of Form IT-540)		and the total exemptions claimed on Line 6D is:							
		1	2	3	4	5	6	7	8
is at least	but less than	Your Louisiana tax is:							
0	4,500	0	0	0	0	0	0	0	0
4,500	4,750	3	0	0	0	0	0	0	0
4,750	5,000	8	0	0	0	0	0	0	0
5,000	5,250	13	0	0	0	0	0	0	0

# Individual Income Tax Exemptions: FYE 21

1	Federal Income Tax Deduction <b>Repealed RS2021; CA2(2021)</b>	\$ 877,724,758	41.75%
2	Personal Exemption-Standard Deduction	260,571,257	12.40%
3	Excess Federal Itemized Deductions <b>Limited to Medical Expenses only</b>	160,778,279	7.65%
4	Social Security Benefits	155,785,084	7.41%
5	State Employees, Teachers, and Other Retirement Benefits	135,693,064	6.45%
6	Net Income Taxes Paid to Other States Credit	75,832,942	3.61%
7	Earned Income Tax Credit	64,757,027	3.08%
8	Federal Retirement Benefits	44,170,917	2.10%
9	Net Capital Gains	43,546,547	2.07%
10	All Other Exemptions	283,384,621	13.48%
<b>Total Exemptions</b>		<b>\$ 2,102,244,496</b>	<b>100.00%</b>

Prepared on FY basis; includes primarily 2020 returns filed in 2021; excludes 2020 returns filed in other FYs

"Exemptions" means those revenue losses attributable to provisions of the state tax statutes or rules promulgated pursuant to such statutes, which allow a special exclusion, exemption, or deduction from gross income or sales or which provide a special credit, a preferential rate of tax, or a deferral of tax liability. See La. R.S. 47:1517(E)

Source: LDR Tax Exemption Budget 2021-2022

# Deduction vs. Credit

## Deduction

- Reduction of taxable base/taxable income
- Examples:
  - Net capital gains
  - Excess itemized deductions
  - Federal income tax

## Credit

- Dollar for dollar reduction in tax liability
  - Transferable or nontransferable
  - Refundable or nonrefundable
- Examples:
  - Motion picture
  - R&D
  - Earned income

# Refundable vs. Nonrefundable Credits

<b>Refundable Credits</b> (in Millions)	<b>Revenue Loss</b> FYE 6/21	<b>Nonrefundable Credits</b> (in Millions)	<b>Revenue Loss</b> FYE 6/21
Earned Income Tax Credit	\$64.8	Credit for Taxes Paid to Other States	\$75.8
Inventory Tax Credit	\$20.8	Rehabilitation of Historic Structures (ROI Fiscal: -92.5% Econ: 2.0%)	\$34.3
School Readiness Child Care Directors and Staff	\$15.7	Donations to School Tuition Organization	\$10.1
Certain Child Care Expenses	\$6.2	Enterprise Zones (ROI Fiscal: -94.3% Econ: 23.5%)	\$8.6
Offshore Vessels Property Tax Credit	\$5.2	Certain Child Care Expenses	\$4.3
All Others	\$6.2	All Others	\$18.1
<b>Total</b>	<b>\$118.9</b>	<b>Total</b>	<b>\$151.2</b>

Source: LDR Tax Exemption Budget 2021-2022

## Total Resident Returns Received During Fiscal Year 2021

AGI Ranges	Number of Returns	Percent of Returns	LA AGI	LA Taxable Income	LA Income Tax	Percent LA Income Tax	Non Refundable Credits	Refundable Credits	LA Income Tax After Credits	Percent LA Income Tax After Credits
negative/ zero	162,761	7%	\$ 0	\$ 190,508	\$ 1,753	0%	\$ 261,464	\$ 11,876,047	\$ 1,699	0%
1 - 10,000	306,358	14%	1,464,256,510	1,326,662,546	5,294,984	0%	128,427	7,515,923	4,462,697	0%
10,000 - 20,000	330,581	15%	4,974,747,415	4,786,956,405	64,749,753	2%	342,825	30,243,447	49,446,600	1%
20,000 - 30,000	291,025	13%	7,211,246,698	6,886,704,116	150,243,476	4%	2,266,316	29,042,593	125,807,896	3%
30,000 - 40,000	211,903	10%	7,360,835,180	6,901,620,836	180,712,679	4%	2,794,475	10,589,400	169,962,642	5%
40,000 - 50,000	159,586	7%	7,143,313,501	6,600,510,502	190,065,256	5%	2,028,913	3,093,837	186,177,159	5%
50,000 - 60,000	121,645	6%	6,661,272,871	6,080,786,239	186,195,545	5%	2,128,482	1,334,242	183,530,556	5%
60,000 - 80,000	167,663	8%	11,609,761,189	10,472,917,967	349,088,894	9%	4,395,144	1,857,785	343,986,201	9%
80,000 - 100,000	114,112	5%	10,210,252,098	9,139,063,225	319,982,300	8%	4,595,998	1,605,589	314,744,778	8%
100,000 - 150,000	166,206	8%	20,198,380,930	17,751,510,638	669,268,021	16%	10,226,893	2,120,657	657,919,609	17%
150,000 - 200,000	69,681	3%	11,948,724,282	10,137,675,516	433,509,708	11%	6,815,400	1,653,753	425,798,046	11%
200,000 - 500,000	67,139	3%	19,102,795,515	15,301,045,450	748,642,267	18%	18,472,510	5,001,881	727,988,207	19%
500,000 - 1,000,000	11,032	1%	7,432,136,571	5,358,277,275	293,782,383	7%	17,525,935	3,778,033	274,832,783	7%
> 1,000,000	4,867	0%	11,589,249,418	7,708,262,718	450,326,644	11%	81,170,160	10,989,567	361,935,406	10%
<b>TOTALS</b>	<b>2,184,559</b>	<b>100%</b>	<b>\$ 126,906,972,178</b>	<b>\$ 108,452,183,941</b>	<b>\$ 4,041,863,663</b>	<b>100%</b>	<b>\$ 153,152,942</b>	<b>\$ 120,702,754</b>	<b>\$ 3,826,594,279</b>	<b>100%</b>

Source: LDR Annual Tax Collection Report 2020-2021



## For Fiscal Year 2021

Federal AGI Range	Number of Returns	Federal AGI	LA Income Tax <sup>1</sup>	LA Income Tax After Credits
Less than 0	10,157	\$ (2,911,813,759)	\$ 107,743	\$ 104,667
Equal 0	137,838	0	3,339,474	2,786,875
1 - 25,000	756,844	10,122,053,645	132,408,527	103,431,759
25,001 - 50,000	568,000	20,517,286,351	435,719,619	409,932,727
50,001 - 75,000	315,821	19,391,275,555	448,607,110	442,406,226
75,001 - 100,000	199,574	17,303,300,648	419,825,236	413,257,027
100,001 - 200,000	319,244	43,548,992,938	1,187,811,083	1,168,495,431
Over 200,000	133,366	147,270,663,619	1,663,882,163	1,529,397,281
<b>TOTALS</b>	<b>2,440,844</b>	<b>\$ 255,241,758,997</b>	<b>\$ 4,291,700,955</b>	<b>\$ 4,069,811,993</b>

<sup>1</sup>Depending upon the source of income, certain taxpayers may have income that is subject to Louisiana income tax, but exempt from Federal tax. For example, interest income from municipal sources.

## For Fiscal Year 2021

Federal AGI Range	Number of Returns	Priority 1 Nonrefundable Credits	Priority 2 Refundable Credits	Priority 3 Nonrefundable Credits	Priority 4 Refundable Credits
Less than 0	2,021	\$ 11,019	\$ 1,769,809	\$ 120,921	\$ 1,524,285
Equal 0	46,564	17,837	8,085,975	663,417	773,696
1 - 25,000	308,681	702,865	53,953,104	36,188	134,193
25,001 - 50,000	170,805	3,231,672	25,430,172	3,380,031	593,365
50,001 - 75,000	33,973	4,474,455	2,568,808	750,875	293,059
75,001 - 100,000	26,314	5,160,481	2,205,283	427,247	182,718
100,001 - 200,000	60,512	15,369,292	3,264,681	1,883,523	1,073,389
Over 200,000	41,399	51,635,307	5,775,363	69,897,192	18,965,658
<b>TOTALS</b>	<b>690,269</b>	<b>\$ 80,602,928</b>	<b>\$ 103,053,195</b>	<b>\$ 77,159,394</b>	<b>\$ 23,540,363</b>

Source: LDR Annual Tax Collection Report 2020-2021

# Pass-Through Entity Tax

# PTE Election

- Voluntary election to pay state income tax at the entity level instead of individual level
  - Statutorily authorized workaround to the federal SALT limitation imposed by the TCJA
  - 477 PTE applications approved by LDR
  - Revenue Loss:
    - FY 2022: \$1.4M      FY 2023 (projected): \$2M

Received During Fiscal Year 2021

Taxable Income Bracket	Number of Returns	Percent of Total Returns	Taxable Income	Income Tax Liability <sup>1</sup>	Percent of Total Liability
less than 0 - 25,000	21	15.00%	\$ 3,848	\$ 2,677	0.04%
25,001 - 50,000	11	7.86%	439,317	12,073	0.18%
50,001 - 100,000	16	11.43%	1,207,846	40,313	0.61%
100,001 - 500,000	44	31.43%	11,153,317	559,202	8.50%
500,001 - 1,000,000	26	18.57%	19,442,225	1,101,533	16.74%
1,000,001 - 2,000,000	12	8.57%	17,360,156	1,011,608	15.37%
> 2,000,000	10	7.14%	64,641,327	3,853,480	58.56%
<b>TOTALS</b>	<b>140</b>	<b>100%</b>	<b>\$ 114,248,036</b>	<b>\$ 6,580,886</b>	<b>100%</b>

<sup>1</sup>This amount is the tax due on the return before any credits or prepayments.

# SALT Limitation

## SCHEDULE A (Form 1040)

Department of the Treasury  
Internal Revenue Service (99)

## Itemized Deductions

► Go to [www.irs.gov/ScheduleA](http://www.irs.gov/ScheduleA) for instructions and the latest information.

► Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074

**2021**

Attachment  
Sequence No. **07**

**Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

### Taxes You Paid

#### 5 State and local taxes.

**a** State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box . . . . . ► ☐

**5a** 7,000

**b** State and local real estate taxes (see instructions) . . . . .

**5b** 4,000

**c** State and local personal property taxes . . . . .

**5c**

**d** Add lines 5a through 5c . . . . .

**5d** 11,000

**e** Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) . . . . .

**5e** 10,000

#### 6 Other taxes. List type and amount ►

**6**

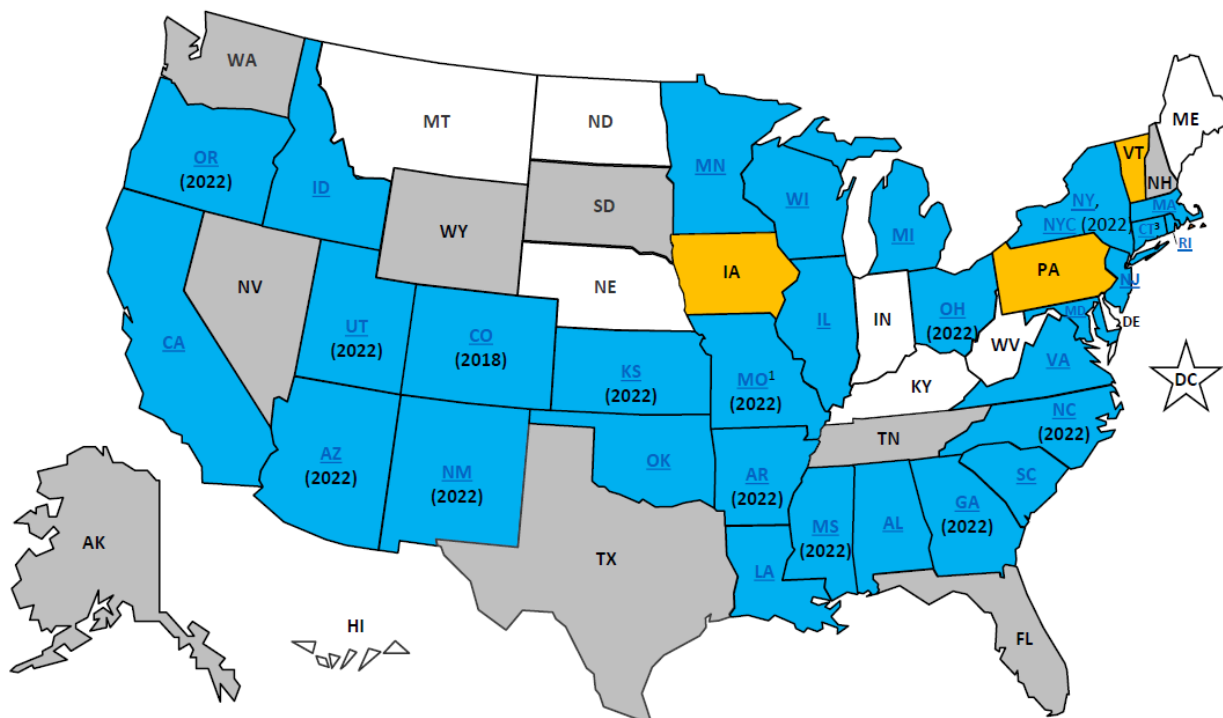
#### 7 Add lines 5e and 6 . . . . .

**7** 10,000

- The individual taxpayer is limited to \$10k
  - If the pass-through entity pays tax at the entity level at the same tax rates, entire amount of taxes paid are claimed as a deduction to arrive at taxable income

## States with Enacted or Proposed Pass-Through Entity (PTE) Level Tax

As of August 31, 2022



● 29 states (& 1 locality) that enacted a PTE tax since TCJA SALT deduction limitation, effective for 2021 (or earlier) unless noted:

[AL](#), [AR](#)<sup>1</sup>, [AZ](#)<sup>1</sup>, [CA](#), [CO](#)<sup>2</sup>, [CT](#)<sup>3</sup>, [GA](#)<sup>1</sup>, [ID](#), [IL](#), [KS](#)<sup>1</sup>, [LA](#), [MA](#), [MI](#), [MD](#), [MN](#), [MO](#)<sup>1</sup>, [MS](#)<sup>1</sup>, [NC](#)<sup>1</sup>, [NJ](#), [NM](#)<sup>1</sup>, [NY](#), [OH](#)<sup>1</sup>, [OK](#), [OR](#)<sup>1</sup>, [RI](#), [SC](#), [UT](#)<sup>1</sup>, [VA](#), [WI](#), and [NYC](#)<sup>1</sup>

<sup>1</sup> Effective in 2022 or later – on map (2022) or (2023)

<sup>2</sup> Retroactive to 2018

<sup>3</sup> Mandatory

● 3 states with proposed PTE tax bills:  
IA – [HF 2087](#), session over, not enacted  
PA – [HB 1709](#), in committee  
VT – [H 0527](#), session over, not enacted

● 9 states with no owner-level personal income tax on PTE income:

AK, FL, NH, NV, SD, TN, TX, WA, WY

○ 10 states with an owner-level personal income tax on PTE income that have not yet proposed or enacted PTE taxes:

DE, HI, IN, KY, ME, MT, NE, ND, VT, WV

# Corporation Income Tax

# Taxpayers:

Required to File on Separate Basis

## 1. Corporations

Nonprofit corps are generally exempt from income tax

## 2. Other business entities that elect under federal law to be taxed as a corporation (*i.e.* “check the box”)

### 1. Partnerships

### 2. LLCs


Form **8832**  
(Rev. December 2013)  
Department of the Treasury  
Internal Revenue Service

#### Entity Classification Election

► Information about Form 8832 and its instructions is at [www.irs.gov/form8832](http://www.irs.gov/form8832).

#### Part I Election Information (Continued)

6 Type of entity (see instructions):

-  a ☐ A domestic eligible entity electing to be classified as an association taxable as a corporation.
- b ☐ A domestic eligible entity electing to be classified as a partnership.
- c ☐ A domestic eligible entity with a single owner electing to be disregarded as a separate entity.
- d ☐ A foreign eligible entity electing to be classified as an association taxable as a corporation.
- e ☐ A foreign eligible entity electing to be classified as a partnership.
- f ☐ A foreign eligible entity with a single owner electing to be disregarded as a separate entity.

# Entity Types

## Filing 2019 Form CIFT-620

Entity Type	Taxed for Federal Purposes As:	
	C Corporation	Partnership/ Pass-Through
C Corporation	36,490	51,889
Single Member LLC	457	3,641
LLC with More than 1 Member	259	2,050
Limited Liability Partnership	14	17
Publicly Traded Limited Partner	9	0
Non- Publicly Traded Limited Partner	22	4
General Partnership	10	5
Other	23,029	13,788
Total	60,290	71,394



# C Corporation vs. S Corporation

## C Corp

- Taxed separately from shareholders
  - Dividends to shareholders are taxed at IIT level
- No restrictions on shareholders
- Current federal tax rate of flat 21%

## S Corp

- Taxed as pass-through entities under federal law
- Shareholder/stock restrictions:
  - May be individuals, trusts, and estates
  - May not be partnerships or corporations
  - No more than 100 shareholders
  - Only one class of stock

Under Louisiana law, S corporations may exclude 100% of income if its shareholders report income at individual income tax level:

### Computation of Income Tax - See instructions.

1A.	Louisiana net income before loss adjustments and income tax deduction	<input type="checkbox"/>				5	0	0	0	0	0
1B.	Subchapter S corporation exclusion	<input type="checkbox"/>			-	5	0	0	0	0	0

# Conformity with Internal Revenue Code

## “Gross Income”

- Means the same items and the same dollar amount required by federal law to be reported as gross income on the corporation's federal income tax return for the same taxable year, subject to **modifications**

## “Allowable Deductions”

- Means the deductions from federal gross income allowed by federal law in the computation of taxable income of a corporation for the same taxable year, subject to **modifications**

## “Net Income”

- Means the taxable income of the corporation computed in accordance with federal law for the same accounting period and under the same method of accounting, including statutorily required accounting adjustments, subject to **modifications**

# Modifications

## Selected Items Only

(-)

Income which LA is prohibited from taxing by federal law

(-)

Net operating loss deduction

(-)

Louisiana income taxes  
*(2021 and earlier)*

(-)

Interest on obligations issued by Louisiana, its political or municipal subdivisions

(+)

Depletion for oil and gas wells;  
Intangible drilling costs

(+)

Expenses disallowed by IRC Sec. 280C

# Allocable vs. Apportionable vs. Exempt

## Allocable Income

- Rents and royalties from immovable or corporeal movable property
- Royalties or similar revenue from the use of patents, trademarks, copyrights, secret processes, and other similar intangible rights
- Income from estates, trusts, and partnerships
- Income from construction, repair, or other similar services

## Apportionable Income

- All items of gross income not included in allocable income
- Examples:
  - Sales from operations
  - Gains and losses

## Exempt Income

- Interest
- Dividends
- U.S. government interest
- Interest on obligations or securities issued by Louisiana or its political subdivisions

*Headquarters & Growth Act of 2005*

# Apportionment Formulas

## By Industry

Air  
Transportation

- Gross apportionable income from LA sources
- Total gross apportionable income

Pipeline  
Transportation

- Net sales made in regular course of business + other gross apportionable income attributable to LA
- Total net sales made in regular course of business + other gross apportionable income

Other  
Transportation

- Gross apportionable income from LA sources
- Total amount of gross apportionable income

Service  
Enterprises

- Gross apportionable income from LA sources
- Total gross apportionable income

Manufacturing,  
Merchandising,  
and Other  
Business

- Net sales made in the regular course of business + other gross apportionable income attributable to LA
- Total net sales made in the regular course of business + other gross apportionable income

# Apportionment Formulas

## By Industry

### Oil & Gas

*Primarily engaged in the  
exploration, production,  
refining, or marketing of  
oil and gas*

- Arithmetical average of four ratios:
  - Value of the property owned by the taxpayer and located in LA / Value of all property owned by the taxpayer and used in the production of the net apportionable income;
  - Amount paid by the taxpayer for salaries, wages, and other compensation for personal services rendered in LA / Total amount paid by the taxpayer for salaries, wages, and other compensation for personal services in connection with the production of net apportionable income; and
  - \*Double weighted\* [Net sales made in the regular course of business and other gross apportionable income attributable to LA / Total net sales made in the regular course of business and other gross apportionable income of the taxpayer]

# Historical Rates & Brackets

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

# CIT Exemptions: FYE 21

1	Subchapter S Corporation Exclusion	\$ 593,080,567	41.96%
2	Motion Picture Investor and Infrastructure Tax Credit	176,497,978	12.49%
3	Net Louisiana Operating Loss Deduction	163,740,247	11.58%
4	Inventory Tax/Ad Valorem Tax Credit	138,782,816	9.82%
5	Louisiana Quality Jobs Program	107,712,719	7.62%
6	Federal Income Tax Deduction <b>Repealed RS2021; CA2(2021)</b>	80,616,102	5.70%
7	Insurance Company Premium Tax Credit	70,749,816	5.01%
8	Enterprise Zones	28,366,063	2.01%
9	Rehabilitation of Historic Structures	15,888,822	1.12%
10	All Other Exemptions	38,008,688	2.69%
<b>Total Exemptions</b>		<b>\$ 1,413,443,818</b>	<b>100.00%</b>

Prepared on FY basis; includes primarily 2020 returns filed in 2021; excludes 2020 returns filed in other FYs

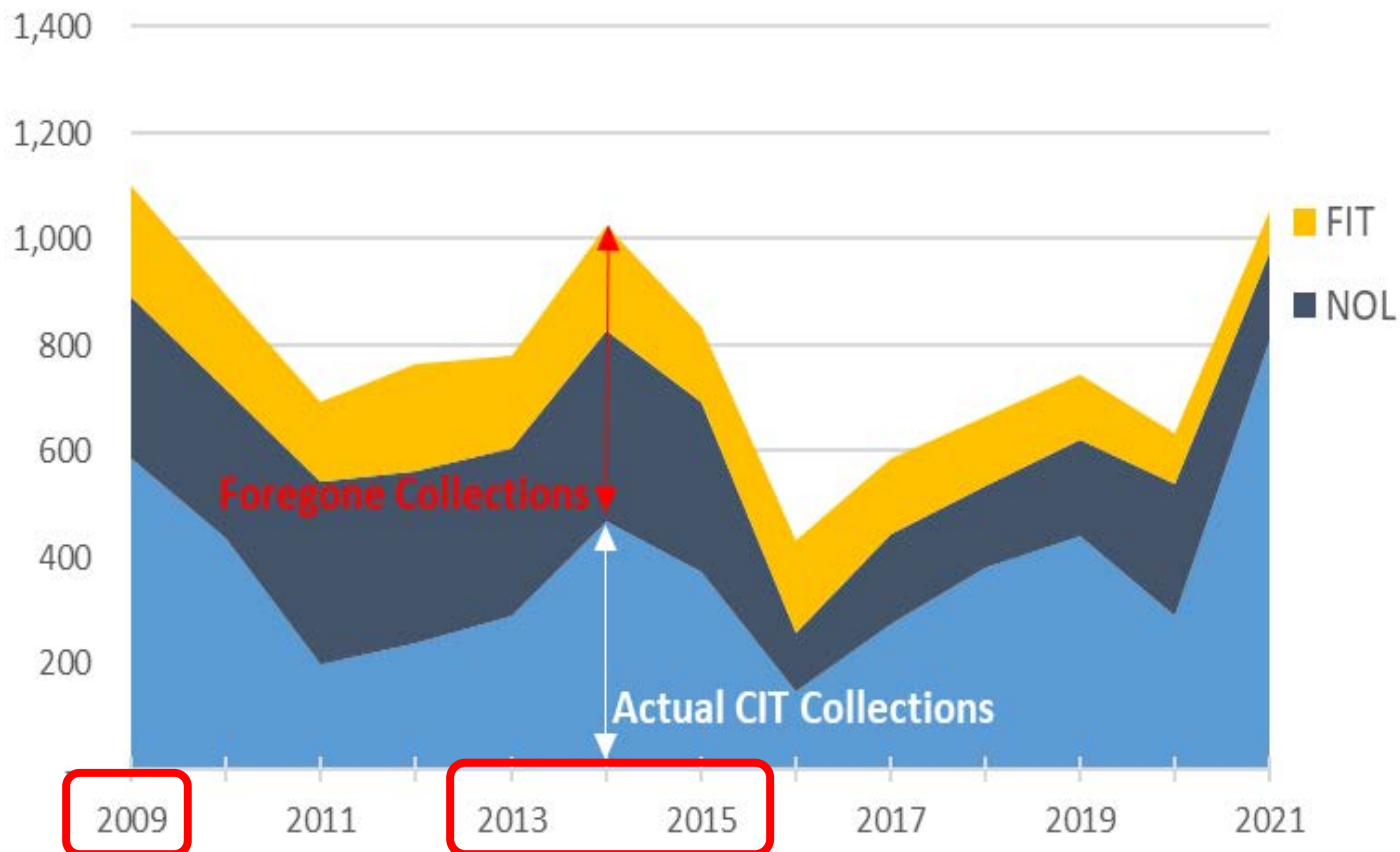
"Exemptions" means those revenue losses attributable to provisions of the state tax statutes or rules promulgated pursuant to such statutes, which allow a special exclusion, exemption, or deduction from gross income or sales or which provide a special credit, a preferential rate of tax, or a deferral of tax liability. See La. R.S. 47:1517(E)

Source: LDR Tax Exemption Budget 2021-2022



# Major Deductions In Relation to Actual Collections In Millions

Amnesty periods:  
2009, 2013-2015



# Deduction for NOLs

## Act 103 (RS2015)

- Repealed 3 year carryback rule
  - Extended carryforward from 15 to 20 years
- 

## Act 123 (RS2015)

- Temporarily reduced NOL deduction from 100% to 72%
- 

## Act 24 (1ES2016)

- Changed NOL utilization from FIFO to LIFO
- 

## Act 6 (1ES2016)

- Permanently reduced NOL deduction from 100% to 72%
- Limited NOL to 72% of net income

# Deduction for NOLs

## Act 2 (2ES2016)

-Clarified that limitations do not apply to amended returns filed after 7/1/15 if original return was filed before 7/1/15



## Act 304 (RS2019)

-Changed NOL utilization from LIFO back to FIFO



## Act 459 (RS2021)

-Removed the 20 year carryforward limitation

- **Decoupled from Federal Rules**

- For corporation income tax, the NOL deduction is calculated in accordance with LA R.S. 47:287.86
- Federal and Louisiana NOLs must be tracked separately for tax purposes

# Net Operating Losses Utilized and Available Amounts

Net Operating Loss (NOL) Available for Use for Returns Received During Fiscal Year 2021

Net Income Bracket	Number of Returns	Percent of Returns	Net Income	NOL Available to Use	NOL Utilized	Estimated NOL Available for Next Year	Percent of Estimated NOL
less than 0	9,419	40.24%	\$ (9,332,647,519)	\$ 54,762,342,473	\$ 0	\$ 63,785,787,035	69.08%
0	2,516	10.75%	0	10,376,294,873	0	10,376,294,873	11.24%
1 - 25,000	5,683	24.28%	42,172,381	827,397,574	18,212,972	809,184,602	0.88%
25,001 - 50,000	1,447	6.18%	51,982,337	646,056,773	20,133,645	625,923,128	0.68%
50,001 - 100,000	1,287	5.50%	92,046,298	713,233,284	34,472,156	678,761,128	0.73%
100,001 - 500,000	1,915	8.18%	430,689,576	2,042,428,032	151,787,642	1,890,640,390	2.05%
500,001 - 1,000,000	432	1.84%	308,200,317	1,158,257,710	103,754,799	1,054,502,911	1.14%
1,000,001 - 2,000,000	299	1.28%	419,473,041	1,979,126,122	155,981,171	1,823,144,951	1.97%
2,000,001 - 10,000,000	323	1.38%	1,362,217,969	7,764,605,693	571,935,511	7,192,670,182	7.79%
> 10,000,000	86	0.37%	2,605,983,671	5,120,012,380	1,018,869,654	4,101,142,726	4.44%
<b>TOTALS</b>	<b>23,407</b>	<b>100.00%</b>	<b>\$ (4,019,881,929)</b>	<b>\$ 85,389,754,914</b>	<b>\$ 2,075,147,550</b>	<b>\$ 92,338,051,926</b>	<b>100.00%</b>

Excludes corporations with specialized tax loss treatment

# Refundable vs. Nonrefundable Credits

<b>Refundable Credits</b> (in Millions)	<b>Revenue Loss</b> FYE 6/21	<b>Nonrefundable Credits</b> (in Millions)	<b>Revenue Loss</b> FYE 6/21
Inventory Tax Credit	\$105.1	Motion Picture Investor (ROI Fiscal: -93% Econ: 40.7%)	\$176.5
Quality Jobs (ROI Fiscal: -93.7% Econ: 25.7%)	\$62.0	Insurance Company Premium Tax	\$70.7
Offshore Vessels Property Tax Credit	\$9.0	Inventory Tax Credit	\$33.7
Telephone Companies Property Tax Credit	\$3.2	Rehabilitation of Historic Structures (ROI Fiscal: -92.5% Econ: 2%)	\$15.9
School Readiness Child Care Provider	\$2.9	Digital Interactive Media & Software (ROI Fiscal: -90.9% Econ: 72.4%)	\$13.4
All Others	\$4.8	All Others	\$3.7
<b>Total</b>	<b>\$187.0</b>	<b>Total</b>	<b>\$313.9</b>

Source: LDR Tax Exemption Budget 2021-2022

# Inventory Tax Credit Refundability

General Available Credit Provisions	Refundable Amount	Nonrefundable Amount	Carryforward Period
Excess ad valorem taxes eligible for the credit $\leq$ \$500,000	100% of excess	N/A	N/A
Excess ad valorem taxes eligible for the credit is $>$ \$500k but $\leq$ \$1M	75% of excess	25% of excess	10 years
Excess ad valorem taxes eligible for the credit is $>$ \$1M	75% of the first \$1M of excess	Remaining excess credit	10 years
Any amount of excess with an ITEP contract	N/A	100% of excess	10 years

Available Credit Provisions for New Businesses formed or first registered to do business in LA after April 15, 2016	Refundable Amount	Nonrefundable Amount	Carryforward Period
Excess ad valorem taxes eligible for the credit is $<$ \$10k	100% of excess	N/A	N/A
Excess ad valorem taxes eligible for the credit is $>$ \$10k but $\leq$ to \$1M	75% of excess	25% of excess	10 years
Any amount of excess with an ITEP contract	N/A	100% of excess	10 years

# Returns Received in FY 21

## By Taxable Income Bracket

Received During Fiscal Year 2021

Taxable Income Bracket	Number of Returns	Percent of Total Returns	Taxable Income	Income Tax Liability <sup>1</sup>	Percent of Total Liability
less than 0	21,991	15.60%	\$ (59,986,213,948)	\$ 0	0.00%
0	91,081	64.62%	0	0	0.00%
1 - 25,000	15,786	11.20%	102,886,869	4,083,112	0.50%
25,001 - 50,000	3,128	2.22%	112,386,084	4,810,972	0.59%
50,001 - 100,000	2,554	1.81%	181,220,175	8,888,667	1.10%
100,001 - 500,000	3,963	2.81%	911,075,361	58,684,261	7.24%
500,001 - 1,000,000	955	0.68%	679,487,619	50,265,913	6.20%
1,000,001 - 2,000,000	697	0.49%	980,825,567	74,728,727	9.21%
2,000,001 - 10,000,000	641	0.46%	2,637,068,133	207,600,032	25.59%
> 10,000,000	156	0.11%	5,036,840,806	402,065,258	49.57%
<b>TOTALS</b>	<b>140,952</b>	<b>100%</b>	<b>\$ (49,344,423,334)</b>	<b>\$ 811,126,942</b>	<b>100%</b>

<sup>1</sup>This amount is the tax due on the return before any credits or prepayments.

Source: LDR Annual Tax Collection Report 2020-2021  
Includes corporations with specialized tax treatment

### No S Corporation Exclusion for Returns Received During Fiscal Year 2021

Net Income Bracket	Number of Returns	Percent of Total Returns	Net Income	Taxable Income	Income Tax Liability <sup>1</sup>
less than 0	21,590	15.32%	\$ (59,884,992,973)	\$ (59,887,787,348)	\$ 0
0 <sup>2</sup>	32,911	23.35%	0	0	0
1 - 25,000	13,751	9.76%	99,130,124	73,941,289	2,930,393
25,001 - 50,000	3,285	2.33%	118,086,322	89,344,174	3,740,626
50,001 - 100,000	2,912	2.07%	207,790,283	156,805,184	7,386,172
100,001 - 500,000	4,494	3.19%	1,033,205,338	795,385,914	49,391,869
500,001 - 1,000,000	1,104	0.78%	780,618,071	609,914,630	44,222,887
1,000,001 - 2,000,000	807	0.57%	1,136,187,619	879,088,262	66,180,379
2,000,001 - 10,000,000	836	0.59%	3,503,152,421	2,571,877,167	201,574,435
> 10,000,000	216	0.15%	7,069,167,670	5,430,541,860	433,337,906
<b>TOTALS</b>	<b>81,906</b>	<b>58.11%</b>	<b>\$ (45,937,655,125)</b>	<b>\$ (49,280,888,868)</b>	<b>\$ 808,764,667</b>
<b>GRAND TOTALS</b>	<b>140,952</b>	<b>100%</b>	<b>\$ (39,338,590,896)</b>	<b>\$ (49,344,410,884)</b>	<b>\$ 811,126,942</b>

<sup>1</sup>This amount is the tax due on the return before any credits or prepayments. Shareholders utilizing the exclusion pay the income tax on the individual income tax return. LDR does not have the data to calculate the tax paid by the shareholders.

<sup>2</sup>The Net Income Bracket of 0 could contain some S Corporations if their net income is 0.

### S Corporation Exclusion for Returns Received During Fiscal Year 2021

Net Income Bracket	Number of Returns	Percent of Total Returns	Net Income	S Corporation Exclusion	Percent of S Corporation Exclusion	Taxable Income	Income Tax Liability <sup>1</sup>
less than 0	18,453	13.10%	\$ (1,898,183,615)	\$ (1,799,797,145)	-27.03%	\$ (98,386,470)	\$ 0
0	0	0.00%	0	0	0.00%	0	0
1 - 25,000	13,463	9.55%	133,986,415	133,158,894	2.00%	740,504	29,425
25,001 - 50,000	6,669	4.73%	243,435,855	242,454,338	3.64%	881,635	36,300
50,001 - 100,000	7,090	5.03%	508,740,743	506,807,338	7.61%	1,829,823	81,438
100,001 - 500,000	10,443	7.41%	2,260,080,878	2,251,404,774	33.81%	8,109,902	447,774
500,001 - 1,000,000	1,608	1.14%	1,111,941,007	1,109,005,442	16.65%	2,862,271	201,145
1,000,001 - 2,000,000	807	0.57%	1,114,635,054	1,105,963,993	16.61%	6,969,086	519,483
2,000,001 - 10,000,000	455	0.32%	1,730,955,283	1,717,248,775	25.79%	13,471,233	1,046,710
> 10,000,000	58	0.04%	1,393,472,609	1,393,472,609	20.92%	0	0
<b>TOTALS</b>	<b>59,046</b>	<b>41.89%</b>	<b>\$ 6,599,064,229</b>	<b>\$ 6,659,719,018</b>	<b>100%</b>	<b>\$ (63,522,016)</b>	<b>\$ 2,362,275</b>



# 2019 CIFT Returns

## By Industry Code

### NAICS Sector Summary of Corporation Income and Franchise Tax Returns

#### 2019 Returns

NAICS Sector	# of Returns	LA Taxable	LA Income Tax	Total Nonrefundable Credits Applied to Income Tax	Income Tax after Nonrefundable Credits	LA Franchise Tax	Total Nonrefundable Credits Applied to Franchise Tax	Franchise Tax after Nonrefundable Credits	Total Refundable Credits	Income and Franchise Tax After All Credits
Agriculture, Forestry, Fishing and Hunting	3,365	(17,540,972)	2,804,173	40,053	2,764,120	2,284,052	113,349	2,170,703	454,148	4,480,675
Mining, Quarrying, and Oil and Gas Extraction	3,656	(861,387,428)	13,165,048	19,208	13,145,840	32,810,435	2,930,551	29,879,884	3,881,628	39,144,096
Utilities	253	(248,837,067)	4,374,754	86,696	4,288,058	12,084,258	127,392	11,956,866	1,997,958	14,246,966
Construction	11,684	358,710,128	51,666,823	250,416	51,416,407	10,782,563	351,109	10,431,454	1,735,904	60,111,957
Manufacturing	7,415	(1,420,369,232)	103,455,721	18,634,894	84,820,827	122,665,350	28,627,070	94,038,280	20,945,883	157,913,224
Wholesale Trade	5,444	315,433,297	51,351,616	3,902,284	47,449,332	25,395,677	3,578,878	21,816,799	33,748,065	35,518,066
Retail Trade	11,346	390,006,833	55,318,629	4,177,385	51,141,244	29,444,112	7,258,480	22,185,632	70,928,664	2,398,212
Transportation and Warehousing	3,616	(106,636,817)	49,490,330	6,186,275	43,304,055	32,486,731	2,186,130	30,300,601	36,305,577	37,299,079
Information	2,080	(43,592,440)	39,286,136	5,161,412	34,124,724	15,952,018	2,191,016	13,761,002	12,130,223	35,755,503
Finance and Insurance	9,553	(2,925,409,704)	154,403,032	72,656,829	81,746,203	30,189,658	1,346,075	28,843,583	4,033,156	106,556,630
Real Estate and Rental and Leasing	12,563	(414,183,810)	28,412,797	6,429,295	21,983,502	27,269,831	1,349,045	25,920,786	4,600,566	43,303,722
Professional, Scientific, and Technical Services	20,171	(94,070,404)	41,139,455	601,236	40,538,219	20,027,721	3,149,802	16,877,919	5,808,317	51,607,821
Management of Companies and Enterprises	3,075	(19,310,054,172)	61,610,200	6,576,540	55,033,660	67,132,598	14,280,157	52,852,441	10,277,399	97,608,702
Administrative and Support and Waste Management and Remediation Services	4,319	15,016,116	9,603,945	230,157	9,373,788	4,914,250	10,071	4,904,179	986,238	13,291,729
Educational Services	506	1,366,794	1,723,244	139,454	1,583,790	318,668	434	318,234	433,145	1,468,879
Health Care and Social Assistance	8,156	(379,778,035)	7,501,700	777,232	6,724,468	4,304,365	190,693	4,113,672	2,418,659	8,419,481
Arts, Entertainment, and Recreation	2,511	(175,737,011)	2,759,720	0	2,759,720	3,377,719	91,486	3,286,233	863,709	5,182,244
Accommodation and Food Services	4,590	24,206,783	10,155,500	23,236	10,132,264	3,137,720	6,195	3,131,525	476,131	12,787,658
Other Services (except Public Administration)	8,847	(6,845,858)	9,731,538	240,612	9,490,926	4,741,703	54,695	4,687,008	1,173,898	13,004,036
Public Administration	28	798,011	62,365	0	62,365	44,969	0	44,969	0	107,334
Undefined	6,009	(4,592,594,329)	5,824,836	915,515	4,909,321	4,491,885	976,033	3,515,852	1,668,177	6,756,996
Total	129,187	(29,491,499,317)	703,841,562	127,048,729	576,792,833	453,856,283	68,818,661	385,037,622	214,867,445	746,963,010

# Corporation Franchise Tax

# Taxpayers

- Any corporation, or LLC taxed as a corporation under federal law, which:
  - Exercises its charter in Louisiana
  - Qualifies to do or actually does business in Louisiana
  - Owns or uses any part or all of its capital, plant, or any other property in Louisiana



- Legislatively codified purpose of tax
  - “...[F]or the right granted by the laws of this state to exist as such an organization, and ... for the enjoyment, under the protection of the laws of this state, of the powers, rights, privileges, and immunities derived by reason of the corporate form of existence and operation.”

# Taxable Capital and Allocation

- Taxable base includes:
  - Issued and outstanding capital stock
  - Surplus and undivided profits
  - Borrowed capital (before 2012)
- Subject to holding company deduction
  - Includes banks, public utilities, insurers
- Allocation formula
  - Average of:
    - Net sales to made to customers in the regular course of business and other revenue attributable to Louisiana
      - Divided by the total net sales made to customers in the regular course of business and other revenue
    - Value of all of the taxpayer's property and assets situated or used in Louisiana
      - Divided by the value of all of its property and assets wherever situated or used

# CFT Legislative Changes

## Act 2 (1ES2004)

- Phased out borrowed capital (debt) as part of base
  - Phase out period: 2006 - 2012
- 

## Act 401 (RS2005): LA Headquarters and Growth Act

- Single revenue apportionment factor for manufacturers
- 

## Act 10 (2ES2008)

- Accelerated phase out of borrowed capital
  - Fully phased out for 2011 period
- 

## Act 476 (RS2009)

- Repealed the \$10 minimum franchise tax
- Reclassified minimum tax as as \$10 initial franchise tax

# CFT Legislative Changes

## Act 12 (1ES2016)

- Clarified that LLC is treated in the same manner as treated for federal tax purposes
  - \*However, LLCs qualified and eligible to make an election to be taxed as an S corporation under federal law remain excluded
- Expanded to include direct or indirect ownership in related party
- Expanded the holding company deduction to all types of holding companies
- Increased the initial franchise tax from \$10 to \$110

# Historic Rates and Brackets

## Recent Suspensions/Repeals

<b>July 1, 1984 — July 1, 2020</b>	<b>July 1, 2020 — June 30, 2021</b>	<b>July 1, 2021 — July 1, 2023</b>	<b>January 1, 2023 and After</b>
\$1.50 per \$1000 of taxable capital from \$0 - \$300,000	Not applicable if corporation has \$1M or less of taxable capital <i>(\$450 savings)</i>	Not applicable if corporation has \$1M or less of taxable capital <i>(\$450 savings)</i>	\$2.75 per \$1000 of taxable capital of \$300,001 and over
\$3.00 per \$1000 of taxable capital of \$300,001 and over	\$3.00 per \$1000 of taxable capital of \$300,001 and over	\$3.00 per \$1000 of taxable capital of \$300,001 and over	<i>*Reduction trigger based on growth factors*</i>

# Franchise Tax Suspension

## For “Small Business Corporations”

Franchise Tax Year	Revenue Loss	Number of Returns	Number with No Franchise Tax Liability	% of Taxpayers Benefitting from Suspension
2020	\$628,538	99,324	2,932	2.95%
2021	\$7,449,253	97,737	43,858	44.87%
2022	\$5,690,369	34,441	68,285	50.44%
<b>Total</b>	<b>\$13,768,160</b>	<b>231,502</b>	<b>115,075</b>	<b>49.71%</b>



# Franchise Tax Returns

## By Taxable Base Ranges

Received During Fiscal Year 2021

Taxable Base Range	Number of Returns	Percent of Total Returns	Taxable Base	Franchise Tax Liability <sup>1</sup>	Percent of Total Liability
Exempt	23,771	17.07%	\$ 0	\$ 0	0.00%
less than 0	15,475	11.12%	(12,133,777,308)	0	0.00%
0	40,632	29.18%	0	0	0.00%
1 - 25,000	18,456	13.26%	142,545,028	109,401	0.02%
25,001 - 100,000	13,032	9.36%	724,456,982	535,296	0.11%
100,001 - 300,000	10,767	7.73%	1,942,387,803	1,491,463	0.30%
300,001 - 500,001	4,084	2.93%	1,579,577,988	2,063,194	0.42%
500,001 - 1,000,000	4,275	3.07%	3,028,932,091	6,279,707	1.27%
1,000,001 - 10,000,000	6,744	4.84%	20,694,644,926	57,496,397	11.62%
10,000,001 - 50,000,000	1,465	1.05%	31,115,075,396	90,118,245	18.22%
50,000,001 - 100,000,000	275	0.20%	18,534,476,636	53,958,374	10.91%
100,000,001 - 500,000,000	207	0.15%	40,711,535,296	119,391,640	24.14%
500,000,001 - 1,000,000,000	35	0.03%	24,522,936,806	73,553,061	14.87%
> 1,000,000,000	20	0.01%	30,176,354,510	89,611,594	18.12%
<b>TOTALS</b>	<b>139,238</b>	<b>100%</b>	<b>\$ 161,039,146,154</b>	<b>\$ 494,608,372</b>	<b>100%</b>

<sup>1</sup> This amount is the tax due on the return before any credits or prepayments.

# Franchise Tax Scenario

- Corporation's year end financial records:
  - Net sales:
    - \$50M in Louisiana; \$800M worldwide (6.25%)
  - Total assets:
    - \$1B in Louisiana; \$50B worldwide (2%)
  - Total capital stock and undivided profits:
    - \$10M
- Franchise Base
  - Average of two ratios:
    - $(6.25\% + 2\%) / 2 = 4.125\%$
  - Total capital stock and undivided profits x Allocation %
    - $\$10M \times 4.125\% = \$412,500$
- Franchise Tax
  - First \$300k is exempt from tax
    - $\$412,500 - \$300,000 = \$112,500$
  - $\$112,500 \times (\$2.75 \text{ per } \$1,000) = \mathbf{\$310}$

# Refundable vs. Nonrefundable Credits

Refundable Credits (in Millions)	Revenue Loss FYE 6/21	Nonrefundable Credits (in Millions)	Revenue Loss FYE 6/21
Inventory Tax Credit	\$50.1	Inventory Tax Credit	\$65.7
Offshore Vessels Property Tax Credit	\$17.2	Rehabilitation of Historic Structures	\$7.0
Telephone Companies Property Tax Credit	\$8.1	Digital Interactive Media & Software	\$5.7
Retention and Modernization Credit	\$1.9	Research and Development Tax Credit	\$1.3
Natural Gas Property Tax Credit	\$1.4	Enterprise Zones Tax Credit	\$1.0
All Others	\$1.0	All Others <i>(less than \$500k)</i>	\$0
<b>Total</b>	<b>\$79.7</b>	<b>Total</b>	<b>\$80.7</b>

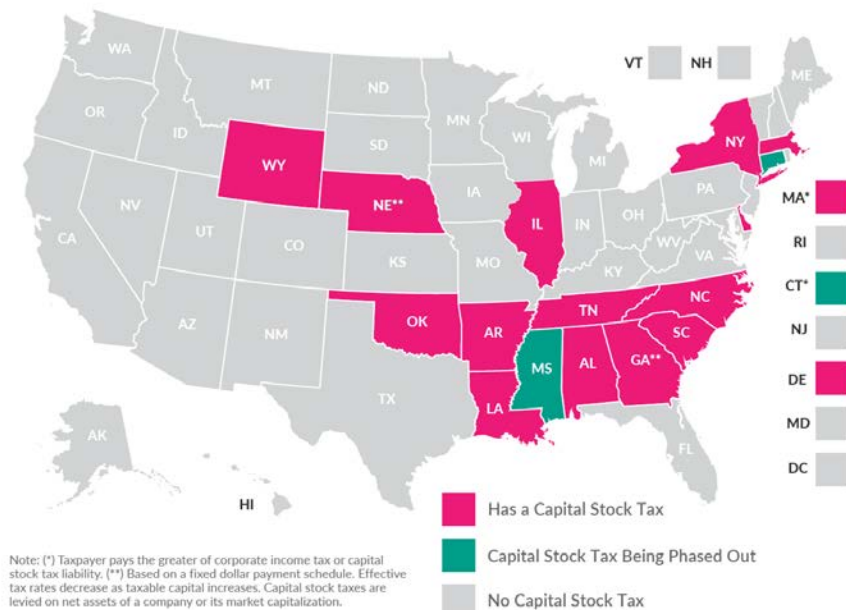
Source: LDR Tax Exemption Budget 2021-2022

# Other State Comparisons

- Louisiana is one of 16 states with the equivalent of our franchise tax
  - Mississippi and Connecticut are phasing out their taxes with an expected full phase out in 2028
  - Eight states have a maximum liability cap
    - Ranges from \$5k (GA) to \$5M (NY)

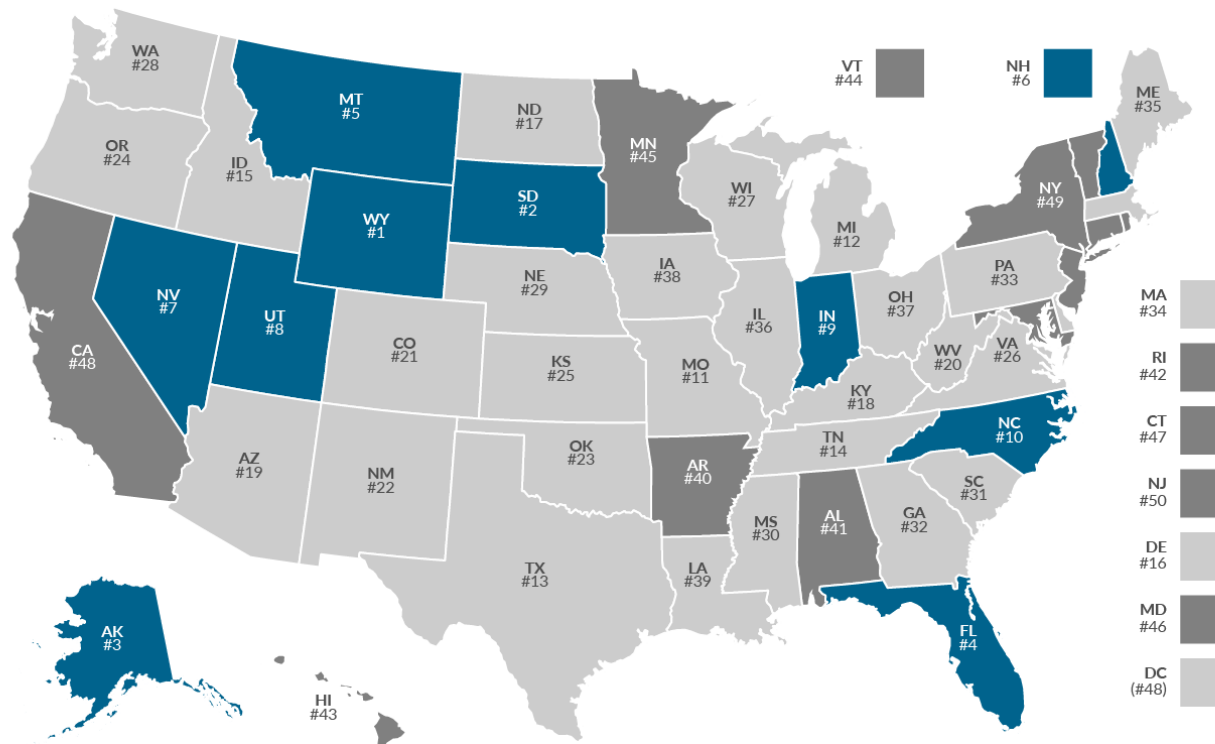
## Does Your State Have a Capital Stock Tax?

State Capital Stock Taxes as of January 1, 2022



# Collections vs. Tax Expenditures

## 2023 State Business Tax Climate Index



Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2022 (the beginning of Fiscal Year 2023).

Source: Tax Foundation.

10 Best Business Tax Climates

10 Worst Business Tax Climates

# Tax Collections

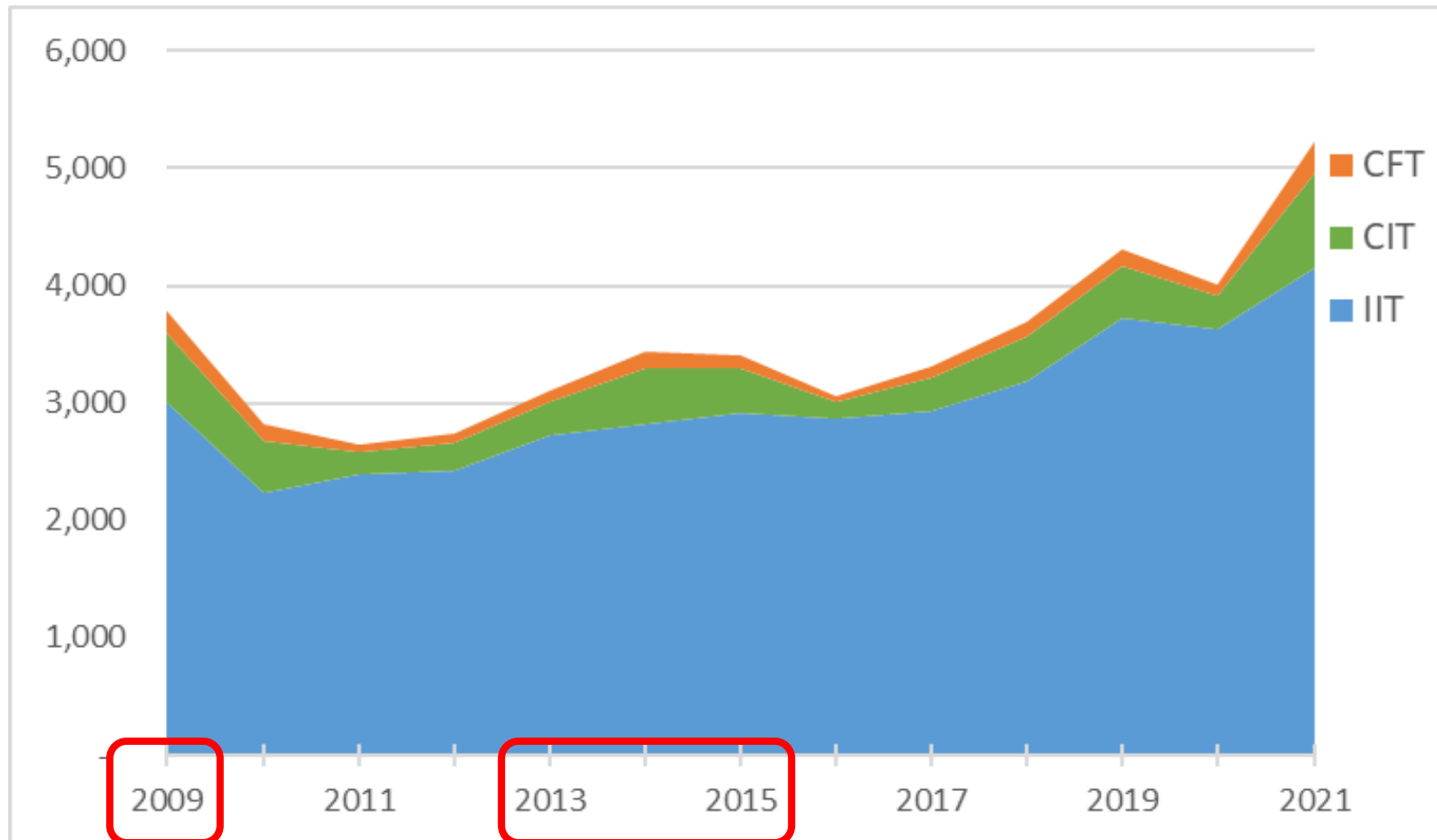
## Tax Cash Collections

### Five-Year Comparison of Major Taxes (In Millions)

	FY 17	FY 18	FY 19	FY 20	FY 21
Corporation Franchise	\$ 91	\$ 127	\$ 146	\$ 101	\$ 270
Corporation Income	274	380	438	290	809
Income (including Fiduciary)	2,939	3,191	3,730	3,623	4,153
Liquor/Alcohol	78	77	76	77	80
Other <sup>1</sup>	147	155	183	214	259
Petroleum Products	640	605	640	590	609
Sales <sup>2,3,4,5</sup>	3,884	3,946	3,560	3,353	3,610
Severance	376	445	529	447	292
Tobacco	310	294	283	276	287
<b>TOTALS</b>	<b>\$ 8,739</b>	<b>\$ 9,220</b>	<b>\$ 9,585</b>	<b>\$ 8,971</b>	<b>\$ 10,369</b>

Source: LDR Annual Tax Collection Report 2020-2021

# Income & Franchise Tax Collections



Amnesty periods: 2009, 2013-2015

<b>Tax Type</b>	<b>Maximum Rate 2021 &amp; Prior</b>	<b>Effective Rate</b>	<b>FY 21 % of State Revenue Collections</b>
Individual income	6%	3.45%	40%
Corporation income	8%	5.97%	6%
Corporation franchise	\$3.00	\$2.07	2%

#### Sources of State Tax Collections by State (FY 2020)

<b>State</b>	<b>Property Tax</b>	<b>Sales &amp; Gross Receipts Tax</b>	<b>Individual Income Tax</b>	<b>Corporate Income Tax</b>	<b>Other Taxes</b>
Louisiana	0.8%	31.4%	34.4%	4.0%	29.5%
Florida	0.0%	62.5%	0.0%	5.8%	31.7%
Tennessee	0.0%	57.9%	0.3%	9.0%	32.8%
Texas	0.0%	63.0 %	0.0%	0.0%	37.0%

#### Sources of State and Local Tax Collections by State (FY 2020)

<b>State</b>	<b>Property Tax</b>	<b>Sales &amp; Gross Receipts Tax</b>	<b>Individual Income Tax</b>	<b>Corporate Income Tax</b>	<b>Other Taxes</b>
Louisiana	20.7%	39.2%	19.1%	2.2%	18.8%
Florida	38.1%	35.2%	0.0%	2.8%	23.9%
Tennessee	22.7%	45.9%	0.2%	5.8%	25.3%
Texas	46.7%	34.2%	0.0%	0.0%	19.0%



# Tax Exemptions

## Five Year Revenue Loss

<b>Tax Type</b> (Listed in order of magnitude by FYE 6-21)	<b>FYE 6-19</b>	<b>FYE 6-20</b>	<b>FYE 6-21</b>	<b>FYE 6-22 (projected)</b>	<b>FYE 6-23 (projected)</b>
1. Sales Tax <sup>1</sup>	\$ 2,357,976,983	\$ 2,350,520,386	\$ 2,391,259,339	\$ 2,333,087,000	\$ 2,390,832,000
2. Income Tax - Individual <sup>2</sup>	1,820,917,879	1,767,031,635	2,082,508,476	1,903,781,000	1,568,860,000
3. Income Tax - Corporation <sup>3</sup>	1,108,037,501	1,204,568,060	1,083,965,960	1,133,845,000	1,107,528,000
4. Tax Incentive and Exemption Contracts <sup>4</sup>	417,310,970	333,941,531	458,146,542	491,133,000	552,907,000
5. Petroleum Products Tax	275,458,219	275,001,972	260,865,786	308,779,000	319,972,000
6. Natural Resources - Severance Tax	257,710,039	247,065,794	244,850,056	192,033,000	192,791,000
7. Corporation Franchise Tax <sup>5</sup>	145,545,615	166,309,809	154,024,120	175,533,000	169,905,000
8. Tobacco Tax	166,134,740	169,586,953	150,504,744	117,855,000	113,901,000
9. Fiduciary Income Tax <sup>2</sup>	12,413,414	14,135,747	28,227,373	37,921,000	27,050,000
10. Liquors - Alcoholic Beverage Tax	3,150,297	4,781,179	7,030,291	7,203,000	7,774,000
11. Public Utilities and Carriers Taxes <sup>6,7</sup>	2,351,057	2,191,404	1,395,923	2,360,000	2,030,000
12. Telecommunication Tax for the Deaf <sup>7</sup>	71,580	71,825	76,257	76,000	78,000
13. Oil Spill Contingency Fee <sup>7</sup>	39,736	36,332	24,868	25,000	22,000
14. Hazardous Waste Disposal Tax <sup>7</sup>	14,608	Negligible	Negligible	11,000	10,000
15. Industrial Hemp-Derived CBD Tax <sup>7</sup>	***	NRR	NRR	NRR	NRR
<b>Total Tax Revenue Loss</b>	<b>\$ 6,567,132,638</b>	<b>\$6,535,242,627</b>	<b>\$ 6,862,879,735</b>	<b>\$ 6,703,642,000</b>	<b>\$6,453,660,000</b>

“Exemptions” means those revenue losses attributable to provisions of the state tax statutes or rules promulgated pursuant to such statutes, which allow a special exclusion, exemption, or deduction from gross income or sales or which provide a special credit, a preferential rate of tax, or a deferral of tax liability. See La. R.S. 47:1517(E)

# Tax Incentive and Exemption Contracts

## FYE 22

### By Tax Type

Exemptions <sup>11</sup>	Corporation Income	Fiduciary Income	Individual Income	Sales	Corporation Franchise	Total
2. Brownfields Investor Tax Credit	\$ 0	\$ 0	\$ 32,025	N/A	\$ 0	\$ 32,025
5. Motion Picture Investor Tax Credit	176,497,978	2,202	3,499,820	N/A	N/A	180,000,000
6. Research and Development Tax Credit	539,969	66,708	3,649,927	N/A	1,264,929	5,521,533
7. Digital Interactive Media & Software Tax Credit	13,390,915	0	1,703,771	N/A	5,724,982	20,819,668
12. Industrial Tax Equalization Program	585,780	781	287,396	\$3,715,794	299,270	4,889,021
13. Exemptions for Manufacturing Establishments	0	0	0	1,500,000	0	1,500,000
14. Enterprise Zones	28,366,063	943,523	8,570,822	5,257,411	803,841	43,941,660
15. Sound Recording Investor Tax Credit	31,474	0	12,902	N/A	N/A	44,376
19. Angel Investor Tax Credit Program	9,030	1,120	1,943,797	N/A	38,490	1,992,437
20. Musical & Theatrical Productions Tax Credit	2,343,930	0	35,560	N/A	N/A	2,379,490
21. Retention and Modernization Credit	0	0	0	N/A	1,910,000	1,910,000
23. Louisiana Quality Jobs Program	107,712,719	0	0	49,799,904	N/A	157,512,623
27. Procurement Processing Company Rebate Program	N/A	N/A	N/A	37,603,709	N/A	37,603,709
<b>Total Exemptions</b>	<b>\$ 329,477,858</b>	<b>\$ 1,014,334</b>	<b>\$ 19,736,020</b>	<b>\$ 97,876,818</b>	<b>\$ 10,041,512</b>	<b>\$ 458,146,542</b>

# Tax Exemptions

## FYE 22

### By Classification

Exemptions	FYE 6-19	FYE 6-20	FYE 6-21	FYE 6-22 (projected)	FYE 6-23' (projected)
Agricultural/Rural	\$ 72,321,156	\$ 57,609,496	\$ 52,346,857	\$ 53,375,000	\$ 54,430,000
Business Environment <sup>2</sup>	897,568,580	824,085,622	741,343,266	813,498,000	798,044,000
Dealers and Vendors Compensation and Discounts	39,365,008	39,258,172	41,915,891	41,938,000	42,378,000
Educational Breaks for Educational Institutions	25,007,127	27,216,064	26,657,253	26,134,000	26,525,000
Educational Breaks for Taxpayers	37,692,922	42,609,478	44,294,793	45,839,000	43,255,000
Louisiana Constitutional Mandates	2,297,535,656	2,207,667,316	2,353,040,938	2,209,292,000	1,995,588,000
Normal Tax Structure	1,722,763,003	1,948,583,205	\$1,976,619,313	1,848,542,000	1,882,245,000
Retirement, Disability and Military	309,834,068	287,964,615	378,684,690	310,536,000	322,047,000
Sales Tax - Alternative Reporting Methods or Statutorily Prescribed Methods of Taxation	0	0	0	0	0
Specialty Sales Tax Exemptions	51,756,232	49,237,597	45,023,106	47,838,000	59,880,000
Tax Incentives and Exemption Contracts	495,081,695	467,244,279	521,860,062	676,679,000	679,201,00
Miscellaneous	618,207,191	583,766,783	681,093,566	629,971,000	550,067,000
<b>Summary of Total Revenue Loss by Classification</b>	<b>\$ 6,567,132,638</b>	<b>\$ 6,535,242,627</b>	<b>\$ 6,862,879,735</b>	<b>\$ 6,703,642,000</b>	<b>\$ 6,453,660,000</b>

Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.

# Summary: CIFT Taxes and Credits

## Tax Years 2017-2020

Tax Year	LA Income Tax	Total Nonrefundable Credits Applied to Income Tax	Income Tax after Nonrefundable Credits	LA Franchise Tax	Total Nonrefundable Credits Applied to Franchise Tax	Franchise Tax after Nonrefundable Credits	Total Refundable Credits	Income and Franchise Tax After All Credits
2017	635,493,348	(112,288,053)	523,205,295	401,895,545	(50,660,804)	351,234,741	(206,802,849)	667,637,187
2018	776,898,493	(125,123,690)	651,774,803	458,152,606	(79,204,012)	378,948,594	(217,131,037)	813,592,360
2019	704,105,147	(122,408,257)	581,696,890	453,977,651	(62,047,143)	391,930,508	(214,867,445)	758,759,953
2020	862,171,467	(133,265,356)	728,906,111	477,071,657	(65,498,730)	411,572,927	(202,951,457)	937,527,581
Total	2,978,668,455	(493,085,356)	2,485,583,099	1,791,097,459	(257,410,689)	1,533,686,770	(841,752,788)	3,177,517,081

# CIFT After All Credits

## Tax Year 2019

Louisiana Taxable Income Range	# of Returns	LA Taxable	LA Income Tax	Total Nonrefundable Credits Applied to Income Tax	Income Tax after Nonrefundable Credits	LA Franchise Tax	Total Nonrefundable Credits Applied to Franchise Tax	Franchise Tax after Nonrefundable Credits	Total Refundable Credits	Income and Franchise Tax After All Credits
Less than \$0	19,653	(38,735,961,190)	0	0	0	185,154,302	(43,410,440)	141,743,862	(68,989,861)	72,754,001
\$0	83,036	0	0	0	0	45,656,895	(1,706,613)	43,950,282	(67,493,444)	(23,543,162)
\$1 to \$25,000	15,442	100,512,313	3,993,698	(47,361)	3,946,337	5,649,528	(119,949)	5,529,579	(4,168,180)	5,307,736
\$25,001 to \$50,000	2,912	104,169,747	4,449,703	(71,667)	4,378,036	4,270,929	(183,668)	4,087,261	(2,509,147)	5,956,150
\$50,001 to \$100,000	2,358	167,267,624	8,234,933	(183,224)	8,051,709	5,974,687	(49,102)	5,925,585	(2,145,641)	11,831,653
\$100,001 to \$200,000	1,862	264,851,241	15,159,849	(477,683)	14,682,166	9,775,497	(471,048)	9,304,449	(5,610,527)	18,376,088
\$200,001 to \$1,000,000	2,594	1,158,110,391	82,340,113	(5,427,873)	76,912,240	39,405,837	(2,214,999)	37,190,838	(15,063,604)	99,039,474
\$1,000,001 to \$5,000,000	1,014	2,103,695,144	163,027,292	(17,889,484)	145,137,808	66,581,507	(6,615,065)	59,966,442	(27,105,161)	177,999,089
\$5,000,001 to \$10,000,000	152	1,041,610,103	82,760,065	(13,795,166)	68,964,899	26,433,046	(3,944,308)	22,488,738	(9,984,953)	81,468,684
Greater than \$10,000,000	131	4,307,829,599	344,139,494	(84,515,799)	259,623,695	65,075,423	(3,331,951)	61,743,472	(11,796,927)	309,570,240
	<b>129,154</b>	<b>(29,487,915,028)</b>	<b>704,105,147</b>	<b>(122,408,257)</b>	<b>581,696,890</b>	<b>453,977,651</b>	<b>(62,047,143)</b>	<b>391,930,508</b>	<b>(214,867,445)</b>	<b>758,759,953</b>

# Tax Credits Attributes

For Credits That May Be Claimed in 2022

Credit Type	# of Credits	Carry Forward Provisions					Transferable
		None	1-3 Years	5 Years	10 Years	Unlimited	
Nonrefundable	31	5	2	13	9	2	6
Refundable	18	N/A	N/A	N/A	N/A	N/A	1
Credit Type	# of Credits	CIT CFT IIT FIT	CIT IIT FIT	CIT CFT IIT	CIT CFT	CIT	IIT
Nonrefundable	31	16	8	1	1	3	2
Refundable	18	10	2	0	0	0	6

The second part of this chart indicates the taxes that a particular credit may offset.  
FIT: Fiduciary Income Tax

