

CONSIDERATIONS FOR REFORMING LOUISIANA'S TAX STRUCTURE

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Taxes **do** matter to businesses.

How does LA's business climate compare with our immediate state neighbors and our regional competitors?

Are incentives more likely to lure businesses than **broad-based tax reform**?

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Results from changes to Louisiana's healthcare, infrastructure, or education systems – while beneficial – take decades.

Tax code changes have an immediate impact on the business climate.

Tax changes **do not** operate in a vacuum.

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What tax structures exist in **economically competitive** states?

States have taxes in common but great variation in how they are **imposed and administered**.

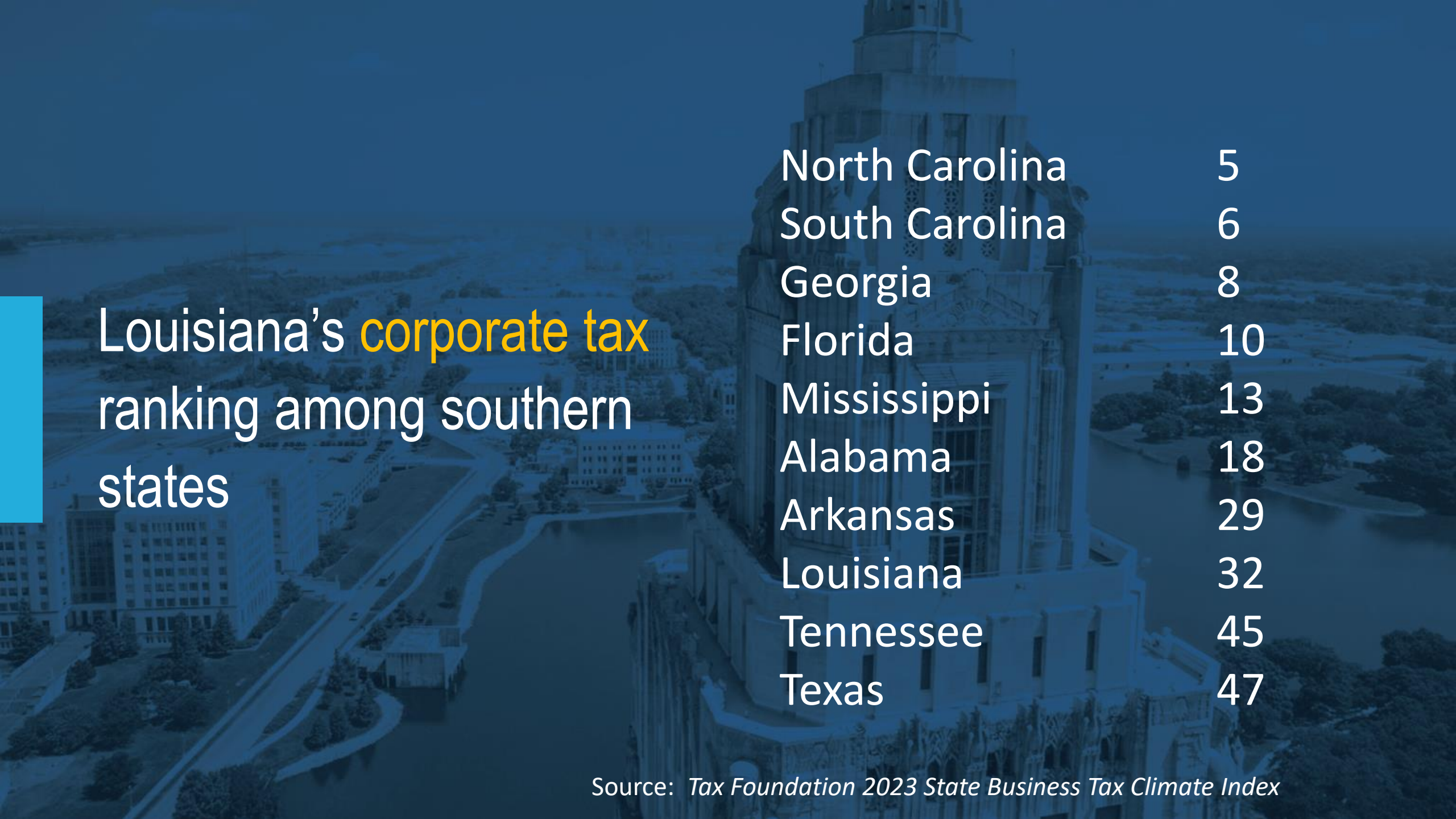
Most states **use all forms of taxation**, but a handful forgo certain forms (corporate or individual income tax, or sales tax).

Louisiana's **business tax climate** ranking among southern states

Florida	4
North Carolina	10
Texas	13
Tennessee	14
Mississippi	30
South Carolina	31
Georgia	32
Louisiana	39
Arkansas	40
Alabama	41

An aerial photograph of a city, featuring a prominent, ornate skyscraper on the right side. The image is overlaid with a semi-transparent blue circular graphic in the upper left corner. The text "CORPORATE INCOME & FRANCHISE TAX" is centered in white, serif font.

CORPORATE INCOME & FRANCHISE TAX

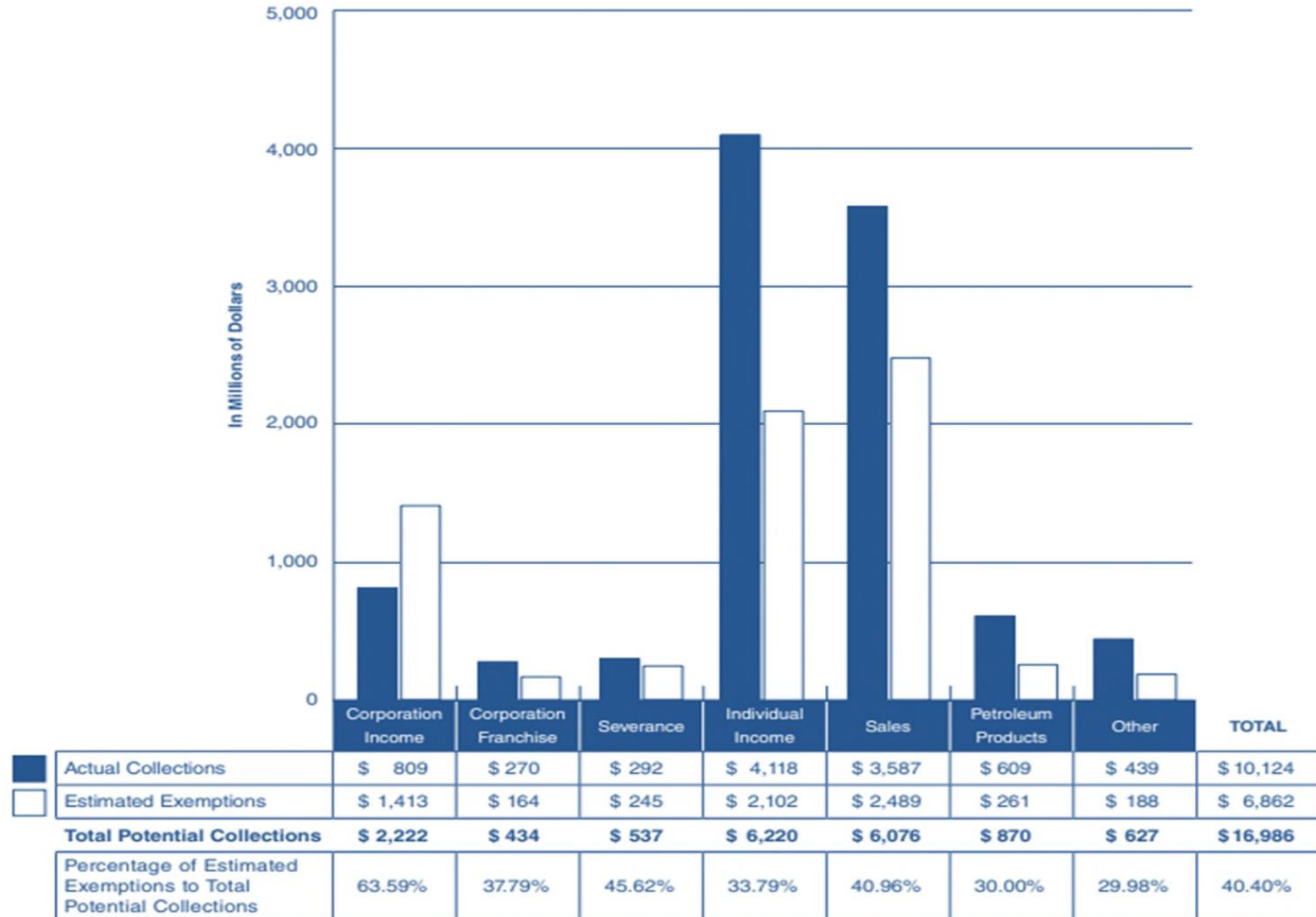


Louisiana's **corporate tax**
ranking among southern
states

North Carolina	5
South Carolina	6
Georgia	8
Florida	10
Mississippi	13
Alabama	18
Arkansas	29
Louisiana	32
Tennessee	45
Texas	47

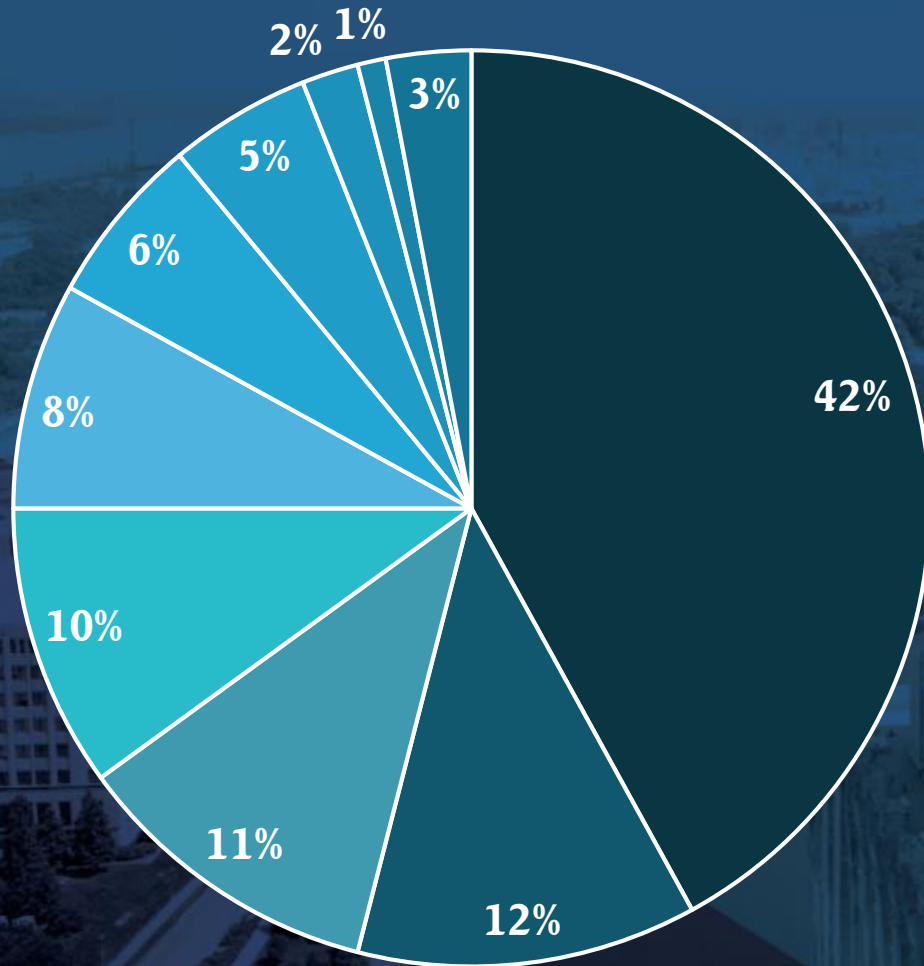
TAX COLLECTIONS VS TAX EXPENDITURES

Analysis of Tax Collections vs. Exemptions*
In Millions
(FY 2020-21)



Source: FY 21-22 Tax Exemption Budget published by the La. Dept. of Revenue

What “expenditures” are applied against Louisiana’s corporate income tax?***



- Subchapter S Corporation Exclusion
- Motion Picture Investor and Infrastructure Tax Credit
- Net Louisiana Operating Loss Deduction
- Inventory Tax Ad Valorem Tax Credit
- Louisiana Quality Jobs Program
- Federal Income Tax Deduction
- Insurance Company Premium Tax Credit
- Enterprise Zones
- Rehabilitation of Historic Sites
- All Other Exemptions

** Potential for double counting of exemptions in corporate income tax and corporate franchise tax

Source: Tax Exemption Budget 2021-2022

An aerial photograph of a city, featuring a prominent, ornate skyscraper on the right side. The image is overlaid with a semi-transparent blue filter. A large, solid blue circle is positioned in the upper-left corner. The text "INDIVIDUAL INCOME TAX" is centered in the middle of the image in a white, serif font.

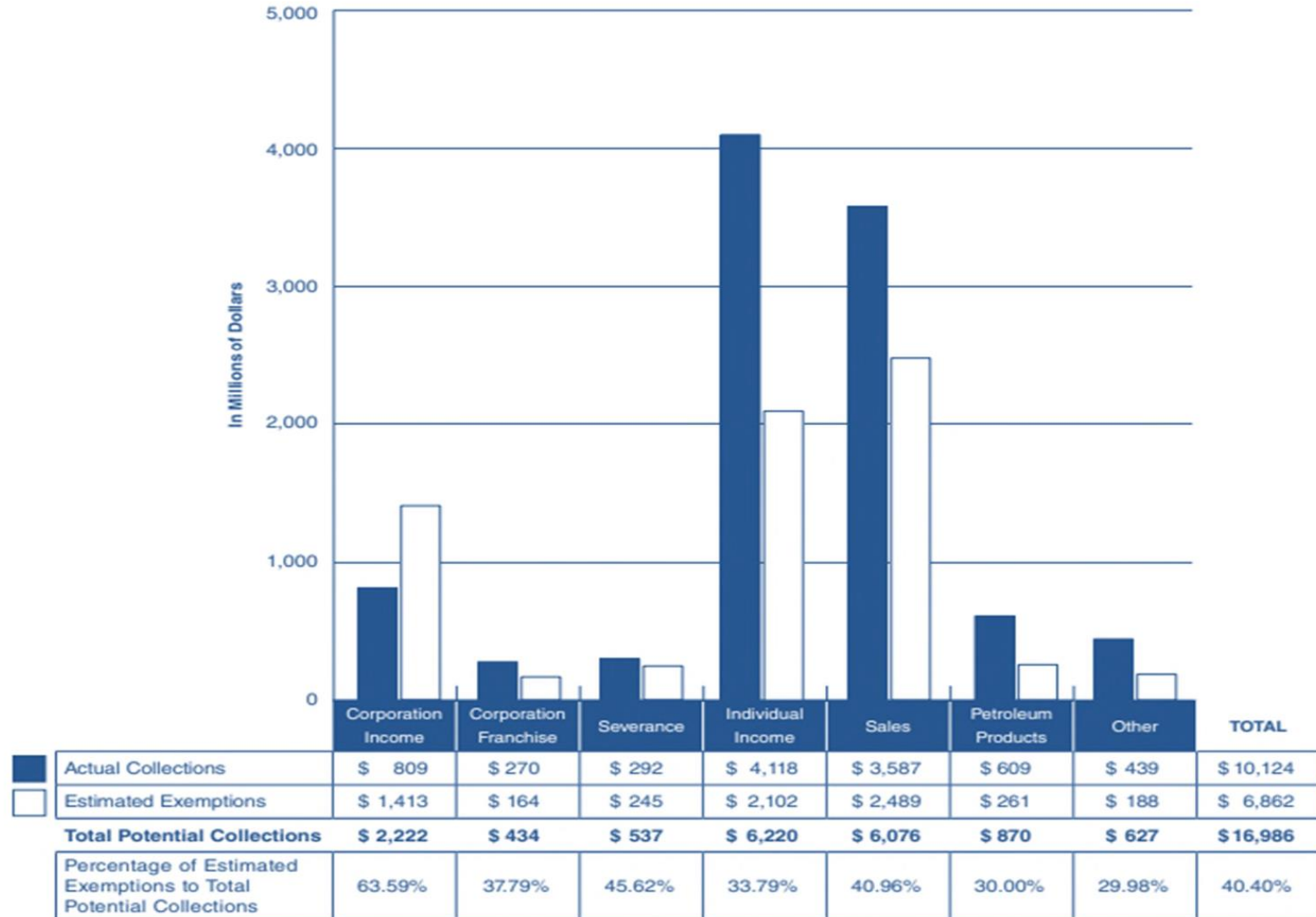
INDIVIDUAL INCOME TAX

Louisiana's **individual**
INCOME TAX ranking
among southern states

Florida	1
Tennessee	6
Texas	7
North Carolina	17
Louisiana	25
Mississippi	26
South Carolina	28
Alabama	30
Georgia	35
Arkansas	37

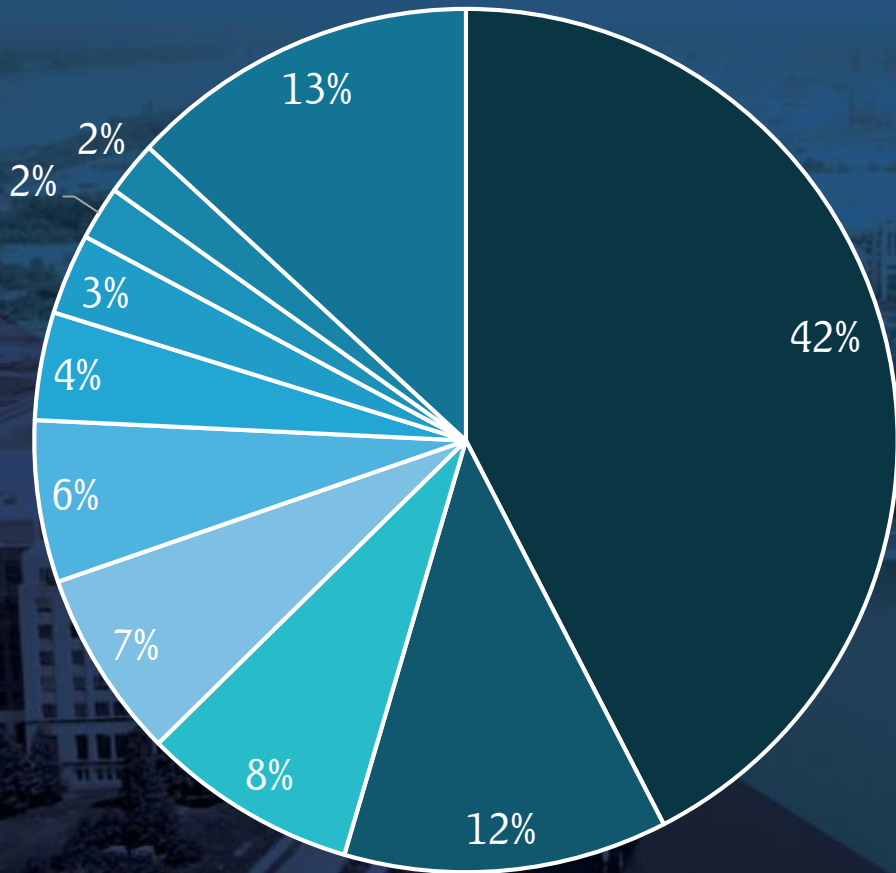
TAX COLLECTIONS VS TAX EXPENDITURES

Analysis of Tax Collections vs. Exemptions*
In Millions
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Source: FY 21-22 Tax Exemption Budget published by the La. Dept. of Revenue

What “expenditures” are applied against Louisiana’s INDIVIDUAL income tax?



- Federal Income Tax Deduction
- Personal Exemption-Standard Deduction
- Excess Federal Itemized Deductions
- Social Security Benefits
- State Employees, Teachers, and Other Retirement Benefits
- Net Income Taxes Paid to Other States Credit
- Earned Income Tax Credit
- Federal Retirement Benefits
- Net Capital Gains
- All Other Exemptions

An aerial photograph of the Colorado State Capitol building in Denver, Colorado, rendered in a dark blue monochrome. The building's iconic Art Deco tower is the central focus. In the top-left corner, there is a large, solid blue circle. The text is centered over the image.

**BUSINESS TAX INCREASES ENACTED BY THE
LEGISLATURE IMPACTING FYS 16 – 23**

Revenue-Raising Legislation 2015 RS	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Act 103 (Broadwater): Eliminates the three-year carry-back option for Net Operating Loss deductions for corporate income tax and increases the carry-over period from 15 years to 20 years.	\$29,000,000	\$29,000,000	\$29,000,000	\$29,000,000	\$29,000,000	\$29,000,000 assumed	\$29,000,000 assumed	\$29,000,000 assumed
Act 123 Jackson: Reduces certain corporate income tax exclusions and deductions by 28% from July 1, 2015, to June 30, 2018 (does not affect the S-Corporations exclusion). See Act 6 of 2016 for impact of changes to Net Operating Loss.	\$17,000,000	\$17,000,000	\$11,900,000	-\$37,000,000	-\$37,000,000	N/A	N/A	N/A
Act 125, Act 29 (Jackson) (2016): Reduces certain income and corporate franchise tax credits and incentives by 28% from July 1, 2015, to June 30, 2018 (does not reduce inventory tax credit).	\$31,500,000	\$33,500,000	\$27,600,000	-\$2,900,000	-\$3,600,000	N/A	N/A	N/A
Act 133 (Adams): Provides for carry forward rather than refunds of 25% of tax credits for inventory and natural gas storage paid as ad valorem taxes to local governments (does not apply to companies with inventory tax liabilities of \$10,000 annually or less). Removes refundability of various R&D tax credits.	\$129,000,000	\$138,000,000	\$146,000,000	\$156,000,000	\$166,000,000	\$166,000,000 assumed	\$166,000,000 assumed	\$166,000,000 assumed

Revenue-Raising Legislation 2016 2 nd Special Session	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
<p>Act 4 (Morrell): Restores 100% of the refundable inventory tax credit for those current taxpayers whose total payment of ad valorem tax eligible for the credit is between \$10k and \$500k. Maintains 75% refundability for current taxpayers with eligible credits between \$500k and \$1m. Businesses created after April 15, 2016, will receive 75% of the credit for tax eligible between \$10k and \$1m and 100% of the credit below \$10k. Eliminates refundability for credits more than \$1m and instead establishes a 5-year carry-forward provision. Applicable to tax returns and refund claims filed after July 1, 2016.</p>	N/A	\$17,300,000	\$17,300,000	\$17,300,000	\$17,300,000	\$17,300,000	\$17,300,000 assumed	\$17,300,000 assumed
<p>Act 5 (Ward): Converts the state inventory tax credit from a refundable credit to a non-refundable credit with a 5-year carry forward provision for taxes paid on inventory by manufacturers that also receive the ad valorem industrial tax exemption in the same year. Applicable to returns filed after July 1, 2016, regardless of the taxable year to which the return relates.</p>	N/A	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000 assumed	\$57,000,000 assumed
<p>Act 8 (Reynolds): Changes the apportionment formula for calculating corporate income and franchise tax. Requires sales other than tangible personal property to be sourced to La. if the taxpayer's market for the sale is in La. Applicable to tax periods beginning Jan. 1, 2016.</p>	N/A	"increase"	"increase"	"increase"	"increase"	"increase"	"increase" assumed	"increase" assumed
<p>Act 10 (Price): Changes the date that interest begins to accrue on tax overpayments to 90 days after the date the return was due, the return during overpayment was filed, or the tax was paid, whichever is later. Effective for refunds paid on or after Sept. 1, 2016, regardless of the taxable period.</p>	N/A	\$16,700,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000 assumed	\$20,000,000 assumed

Revenue-Raising Legislation 2016 2 nd Special Session	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Act 11 (Montoucet): Limits the individual income tax deduction for net capital gains to apply only to a business in which the taxpayer was employed or materially participated for five years and held for five years prior to its sale. Reduces the deduction to 50% for those domiciled between 5 and 10 years, to 60% for those domiciled 10 to 15 years, to 70% for those domiciled 15 to 20 years, to 80% for those domiciled 20 to 25 years, to 90% for those domiciled 25 to 30 years. Applicable to sales or exchanges in equity interests occurring after the effective date of the Act.	N/A	"material increase"	"material increase"	"material increase"	"material increase"	"material increase"	"material increase" assumed	"material increase" assumed
Revenue-Raising Legislation 2017 RS	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Act 400 (Luneau): Removes the June 30, 2018, sunset provision to make permanent 28% reductions to certain income and franchise tax credits including credits for technology commercialization, employee and dependent health insurance coverage, and donations to public schools, among others.	N/A	N/A	\$0	\$12,500,000	\$12,500,000	\$12,500,000	\$12,500,000	\$12,500,000 assumed
Revenue-Raising Legislation 2018 2 nd Special	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Act 6 (Jackson): Extends the limitations on the amount of individual income tax credit available for taxes paid to other states from 2017 to FY23. Adds a deduction provision for a taxpayers proportionate share of taxes paid in another state at the entity level. Increases the state earned income tax credit from 3.5% to 5% until 2025 on Jan. 1, 2019. Fiscal impact assumes full collection of taxes and does not take into account the increase in BTC, which is for individuals and not businesses. NOTE: The La. Supreme Court ruled in Dec. 2018 in <i>Smith v. Public</i> that the law is unconstitutional legislation.	N/A	N/A	N/A	\$33,600,000	\$33,600,000	\$33,600,000	\$33,600,000	\$33,600,000



**LABI LOOKS FORWARD TO WORKING WITH YOU
TO IMPROVE OUR STATE'S TAX STRUCTURE!**

LABI