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Louisiana Tax Bills Pass Out of Senate Revenue & Fiscal Affairs Committee: Business Community Still Getting Its Goose Cooked

The Louisiana Legislature's ever-evolving tax and revenue "gumbo pot" is now really getting hot! And, as of this moment, the business community is still being served up as the main course.

On May 18th, the [Senate Revenue and Fiscal Affairs Committee](#) *moved forward several key tax bills* that have already passed out of the Louisiana House of Representatives. These bills, described below, now move on to the [Senate Finance Committee](#) for further review and debate.

As we [previously noted](#), *the business and industry community believes it unfairly got its goose cooked* when the [Louisiana House of Representatives](#) moved these specific bills forward in an attempt to raise revenue by approximately \$660 million to address the state's \$1.6 billion budget hole for the 2016 fiscal year. Despite the stated goal of legislators to have the revenue increases broadly shared by all taxpayers, it seems clear that *businesses are bearing the brunt of the current proposed budget fix*.

The specific House Bills that have now passed out of the Senate Revenue and Fiscal Affairs Committee are:

- [HB 549](#) – Changes horizontal drilling severance tax exemption from 100% to amount based on published price of oil and natural gas.
- [HB 218](#) – eliminates 3-year net operating loss (NOL) carryback, and increases NOL carryforward from 15 years to 20 years.
- [HB 119](#) – Increases cigarette tax by 32¢ per pack.
- [HCR 8](#) – Suspends business utilities exemption as to 0.97% state sale/use tax (for sales of steam, water, electric power or energy, and natural gas).
- [HB 402](#) – Limits credit for taxes paid to other states to Louisiana rate of tax, **and** requires that other state must also provide a reciprocal credit.
- [HB 779](#) – Caps Solar Tax Credit program, adds requirements for claiming the credit for a purchased system, repeals the credit for leased systems, and speeds up the phase out of the credit.
- [HB 635](#) – 20% reduction to all rebates.
- [HB 629](#) – 20% reduction to income and franchise tax credits (including inventory tax credit, R&D tax credit, digital media tax credit, and modernization tax credit).
- [HB 624](#) – 20% reduction to most corporate income tax exclusions and deductions. The bill **currently** includes a loss of 20% of the S-corporation exclusion.

- [HB 805](#) – Reduces refundable nature of inventory tax credit by 25%.
- [HB 829](#) – Caps Motion Picture Tax Credit program at \$200 million; beginning July 1, 2015, caps credits for any single state-certified production at \$30 million.

On a positive note for business taxpayers, the Louisiana Legislative Fiscal Office is [reporting](#) that [HB 624](#) was **inadvertently** passed out of the House with 20% of the S-corporation exclusion still in the bill. Further, the resulting revenue (\$107 million) from this inadvertent 20% haircut of the S-corporation exclusion was not included as part of the revenue calculated in the Legislature’s appropriations bill, [HB 1](#). Thus, based in this information, and as a matter of sound tax policy (so as to avoid clear double taxation), we are hopeful that the language cutting 20% of the S-corporation exclusion will be properly removed from [HB 624](#) by the Senate Finance Committee.

Also, on May 19th, the [House Ways and Means Committee](#) passed out of committee [HB 828](#), which would **phase out Louisiana’s corporate franchise tax** over a 5-year period. There is much debate as to the interplay of this corporate franchise tax phase-out and the revenue raisers noted above, including whether the phase-out is necessary in light of Governor Jindal’s position that all actions by the legislature be tax neutral (i.e., not resulting in any net “raising” of taxes). Another separate bill, [HB 827](#), regarding a 5-year phase-out of the Louisiana corporate income tax, was not passed out of committee.

While the Louisiana corporate income tax currently appears to remain in place, other House bills relating to the corporate income tax would need to be heard on the House floor next week in order to move through the legislative process during this fiscal session. Such bills include [HB 531](#) (add-back provisions), [HB 775](#) (combined reporting), and [HB 506](#) (requiring pro forma returns as part of combined reporting system).

In addition, Sen. Adley’s combined reporting bill, [SB 269](#), is currently on the Senate calendar.

Keep your eye on the tax gumbo pot; things are definitely starting to boil! The JW SALT Team will continue to carefully review and provide updates on the key bills moving through the legislature during this budget session.

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Remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues,

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