JONES WALKER

State & Local Tax Client Alert

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Pay Attention! Louisiana House and Senate Committees To Hear Several Key Tax Bills Next Week

Don't blink! Pay close attention, because things are moving quickly right now at the Louisiana Legislature!

The Senate Revenue and Fiscal Affairs Committee met Monday, May 11th to hear a series of tax bills, including bills to implement combined reporting and an add-back provision for corporate income tax and clean-up provisions for the Louisiana Board of Tax Appeals. Reported favorably from the Committee were: SB 269 by Sen. Robert Adley, requiring the filing of *consolidated or combined returns* by corporations that have either $8 billion of corporate gross revenues everywhere or $8 million of assets everywhere; and HB 338 by Rep. Mike Danahay, which provides for certain *procedural changes to the administration of the Louisiana Board of Tax Appeals*, including the classification of the "local tax judge." SB 270, the *add-back proposal*, was voluntarily deferred by the author, Sen. Robert Adley.

This upcoming Monday, May 18th, the Louisiana Senate's Revenue and Fiscal Affairs Committee will hear and review several *key tax bills that recently passed out of the Louisiana House of Representatives*. In our prior post, we noted the Louisiana House dealt a blow to the business and industry community last week when it moved forward approximately $664 million in revenue raising bills in an attempt to address the $1.6 billion budget hole for the 2016 fiscal year.

Below are a list of these House Bills, and a couple of other Senate Bills, that will be heard by the Senate Revenue and Fiscal Affairs Committee on Monday:

- HB 549 – Changes the severance tax exemption for production of oil and natural gas from horizontally drilled wells and horizontally drilled recompletion wells by changing the amount of the exemption from 100% to an amount based on a published price of oil and natural gas.
- HB 218 – For any claim filed on or after July 1, 2015, regardless of the taxable year to which the return relates, HB 218 eliminates the three year carryback of the net operating loss deduction for purposes of calculating corporate income tax liability and increases the carryforward period from 15 years to 20 years.
- HB 119 – Levies an additional tax of 32¢ per pack of 20 cigarettes thereby increasing the total tax per pack of 20 cigarettes from 36¢ to 68¢ per pack and dedicates the proceeds of the tax to fund Medicaid.
- HCR 8 – Suspends the exemption for business utilities as to the 0.97% state sale and use tax levy for sales of steam, water, electric power or energy, and natural gas.

- HB 402 – Limits the credit for taxes paid to other states to the amount of tax paid to another state at the same rate Louisiana imposes tax and requires that in order to a taxpayer to claim the credit that the other state must also provide a credit for Louisiana income tax or Louisiana source income.
- HB 779 – Adds requirements for claiming the solar energy systems tax credit for a purchased system, reduces the maximum value of the credit, and repeals the credit for leased systems. The bill also speeds up the phase out of the credit.
- HB 635 – Implements a 20% reduction to all rebates, including Quality Jobs and Competitive Projects Payroll.
- HB 629 – Implements a 20% reduction to credits for income and franchise tax, including 20% reductions for the Digital Media Credit, Quality Jobs Credit and R&D Credit. For businesses that operate as S-corporations, there is a loss of 20% of the S-corporation exclusion. The tax credits impacted by HB 629 include: the credit for local inventory taxes paid (the refundability of 20% of this credit also goes away under HB 805); the research and development (R&D) tax credit; the digital media tax credit; and the modernization tax credit.
- HB 624 – Implements a 20% reduction to most corporate income tax exclusions and deductions.
- HB 805 – Changes the tax credit for ad valorem taxes paid on certain inventory and natural gas from refundable credits to credits for which 75% of the excess credit amount is refundable and the remaining 25% of the credit amount is carried forward and may be applied against subsequent income tax liability for up to five years.
- HB 829 – Caps the maximum amount of credits which may be certified annually for the Motion Picture Tax Credit program at $200 million and beginning July 1, 2015, caps the amount of credits available for any single state-certified production at $30 million.
- SB 142 – Authorizes an additional 5% motion picture investor tax credit for the payroll of people employed who are listed on a Movie Industry Student Registry.
- SB 150 – Extends to January 1, 2022 the income tax credits for the rehabilitation of certain owner occupied residential structures.

This upcoming Tuesday, May 19th, the House Ways and Means Committee will, among other things, discuss proposed legislation that would *phase out Louisiana's corporate income tax and corporate franchise tax*. Specifically, HB 827 would create a 5-year phase-out of the Louisiana corporate income tax (20% of the tax phased out per year), and HB 828 would create a 5-year phase-out of the Louisiana corporate franchise tax (20% of the tax phased out per year). Both pieces of legislation are authored by Rep. Cameron Henry. The interplay between these phase-out proposals and the revenue raisers passed by the House last week has been the subject of much debate, including whether the proposals are 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), in keeping with the Americans for Tax Reform (ATR) pledge to not increase taxes.

Stay tuned! The JW SALT Team will continue to carefully review an provide updates on the key bills moving through the legislature's constantly evolving budget plan process.

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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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