

Income/Franchise:

Louisiana Voters Approve Constitutional Amendment Permitting Passage of Various Tax Reform Items

State Constitution Amendment No. 2, voters approved 11/13/21; H.B. 278, H.B. 292, S.B. 161, signed by gov. 6/16/21; S.B. 159, passed House and Senate and enacted as of 6/14/21. Following the recent statewide election, a majority of Louisiana voters responded affirmatively to this state constitutional amendment question:

URL: <https://voterportal.sos.la.gov/graphical#!>

URL: <https://legis.la.gov/legis/BillInfo.aspx?s=21RS&b=HB278&sbi=y>

URL: <https://legis.la.gov/legis/BillInfo.aspx?s=21RS&b=HB292&sbi=y>

URL: <https://legis.la.gov/legis/BillInfo.aspx?s=21RS&b=SB161&sbi=y>

URL: <https://legis.la.gov/legis/BillInfo.aspx?s=21RS&b=SB159&sbi=y>

“Do you support an amendment to lower the maximum allowable rate of individual income tax and to authorize the legislature to provide by law for a deduction for federal income taxes paid?”

Accordingly, several Louisiana tax reform bills enacted earlier this year will now take effect, including changes to the state’s corporate and individual income and franchise tax rates, along with repeal of the income tax deductions for both corporate and individual purposes for federal income taxes (FIT) paid [see previously issued Multistate Tax Alert for more details on these Louisiana tax reform bills]. Among other changes, the new legislation will specifically result in the following:

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-louisiana-legislation-reduces-income-tax-rates-and-repeals-federal-income-tax-deduction-subject-voter.pdf>

1. 7.5 percent state corporate income tax rate on net income greater than \$150,000, applicable to tax years beginning on and after January 1, 2022 (as compared to the current 8 percent state corporate income tax rate on net income greater than \$200,000);
2. Lowers state individual income tax rates to 1.85 percent, 3.5 percent, and 4.25 percent (as compared to the current rates of 2 percent, 4 percent, and 6 percent);
3. 0.275 percent state corporate franchise tax rate on taxable capital greater than \$300,000, applicable to tax years beginning on or after January 1, 2023 (as compared to the current 0.3 percent state corporate franchise tax rate on taxable capital greater than \$300,000); and
4. Repeal of the state corporate and individual income tax deductions for FIT paid.

See forthcoming Multistate Tax Alert for more details on these law changes in light of the recent statewide election results, and please contact us with any questions in the meantime.

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