

# LOUISIANA TAX REFORM: WHAT THE TAX CHANGES WILL MEAN

March 25, 2025



# SPEAKER



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# WHERE WE'VE BEEN

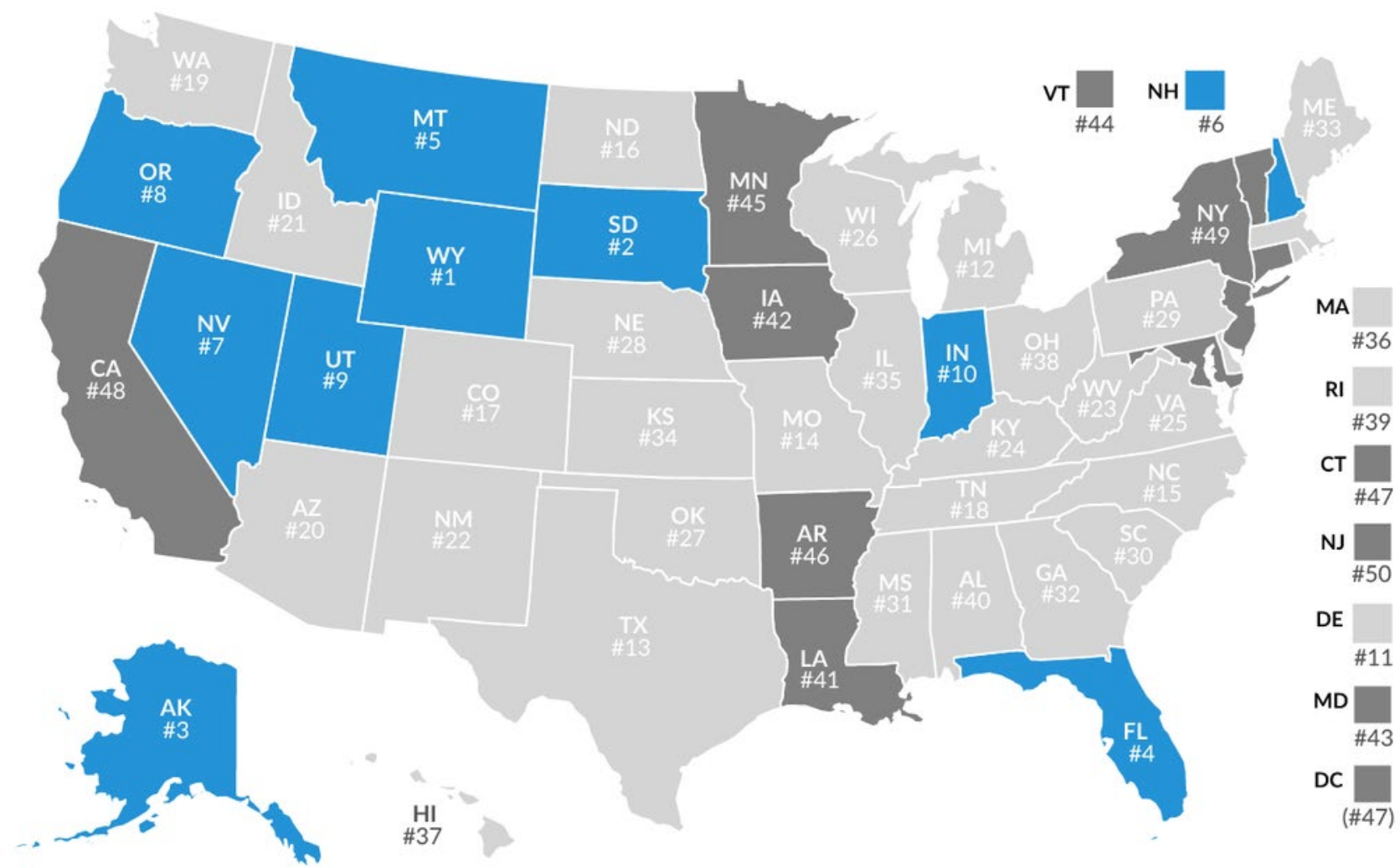
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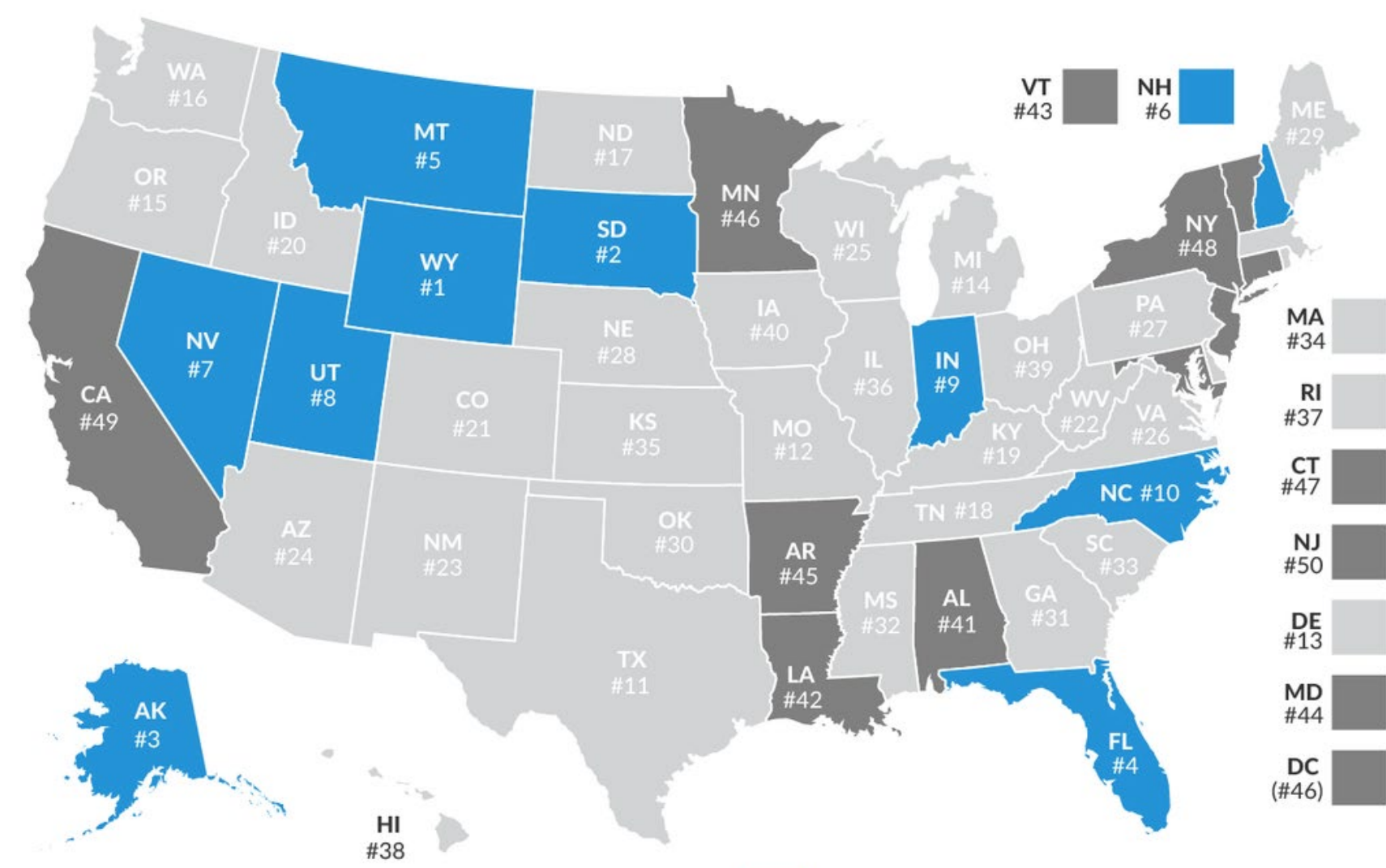
# 2020 & 2021 STATE BUSINESS TAX CLIMATE RANKINGS

2020 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, 2019 (the beginning of Fiscal Year 2020). Source: Tax Foundation.

2021 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, 2020 (the beginning of Fiscal Year 2021). Source: Tax Foundation.



# 2021 TAX REFORM PACKAGE

## CORPORATE FRANCHISE TAX RATES

Beginning Jan. 1, 2023

First Tier	No tax due on the first \$300,000 of taxable capital
Second Tier	\$2.75 for each \$1,000 in excess of \$300,000 of taxable capital

## CORPORATE INCOME TAX RATES

Beginning Jan. 1, 2022

\$0 - \$50,000	3.5%
\$50,001 - \$150,000	5.5%
\$150,000 +	7.5%

## PERSONAL INCOME TAX RATES

Beginning Jan. 1, 2022

SINGLE	\$0 - \$12,500	1.85%
	\$12,501 - \$50,000	3.5%
	\$50,000 +	4.25%

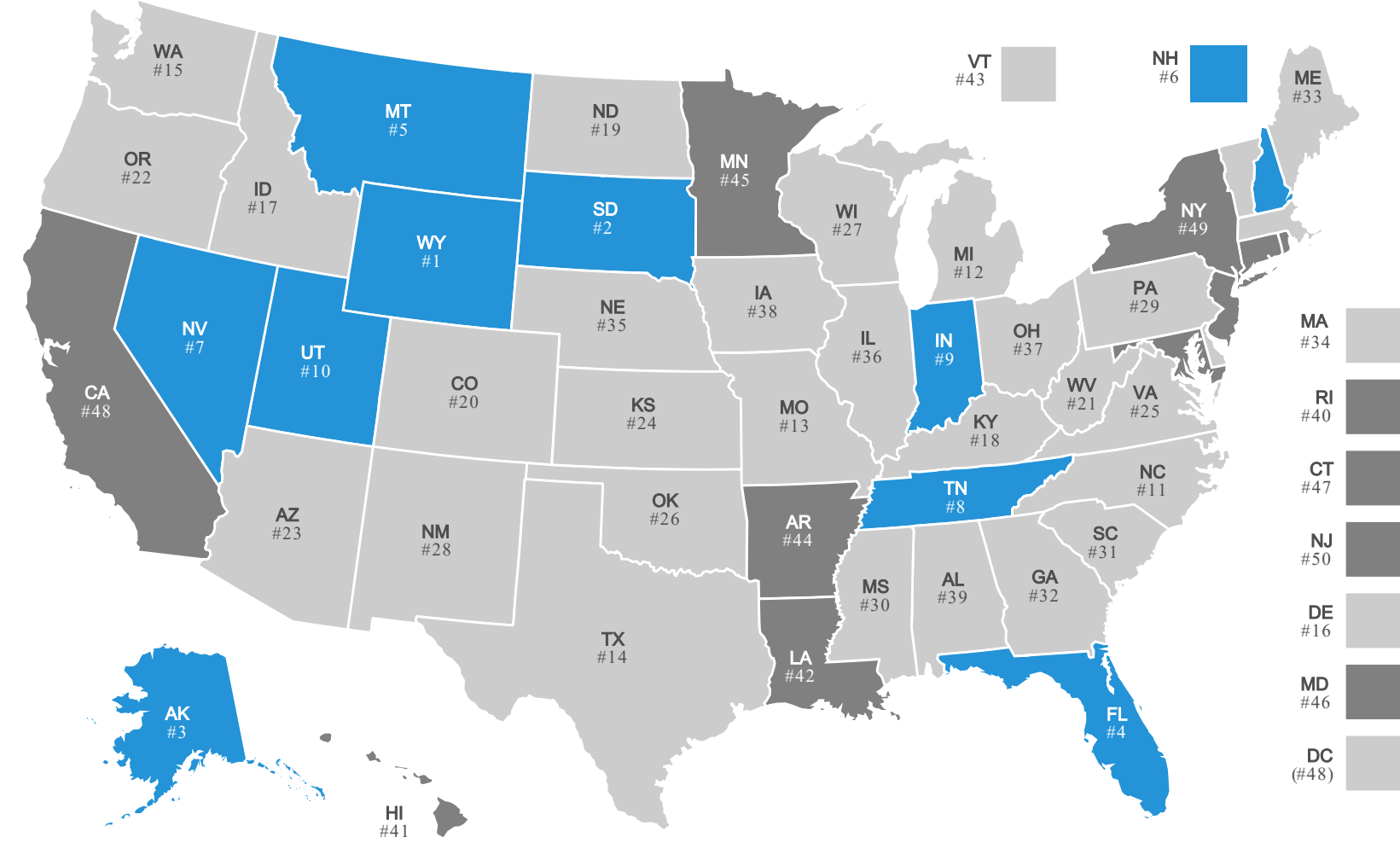
\* PIT rate constitutionally capped at 4.75%

**Automatic rate reduction triggers** to  
reduce **personal income and corporate  
franchise tax** rates if certain revenue  
thresholds are met.



# 2022 & 2023 STATE BUSINESS TAX CLIMATE RANKINGS

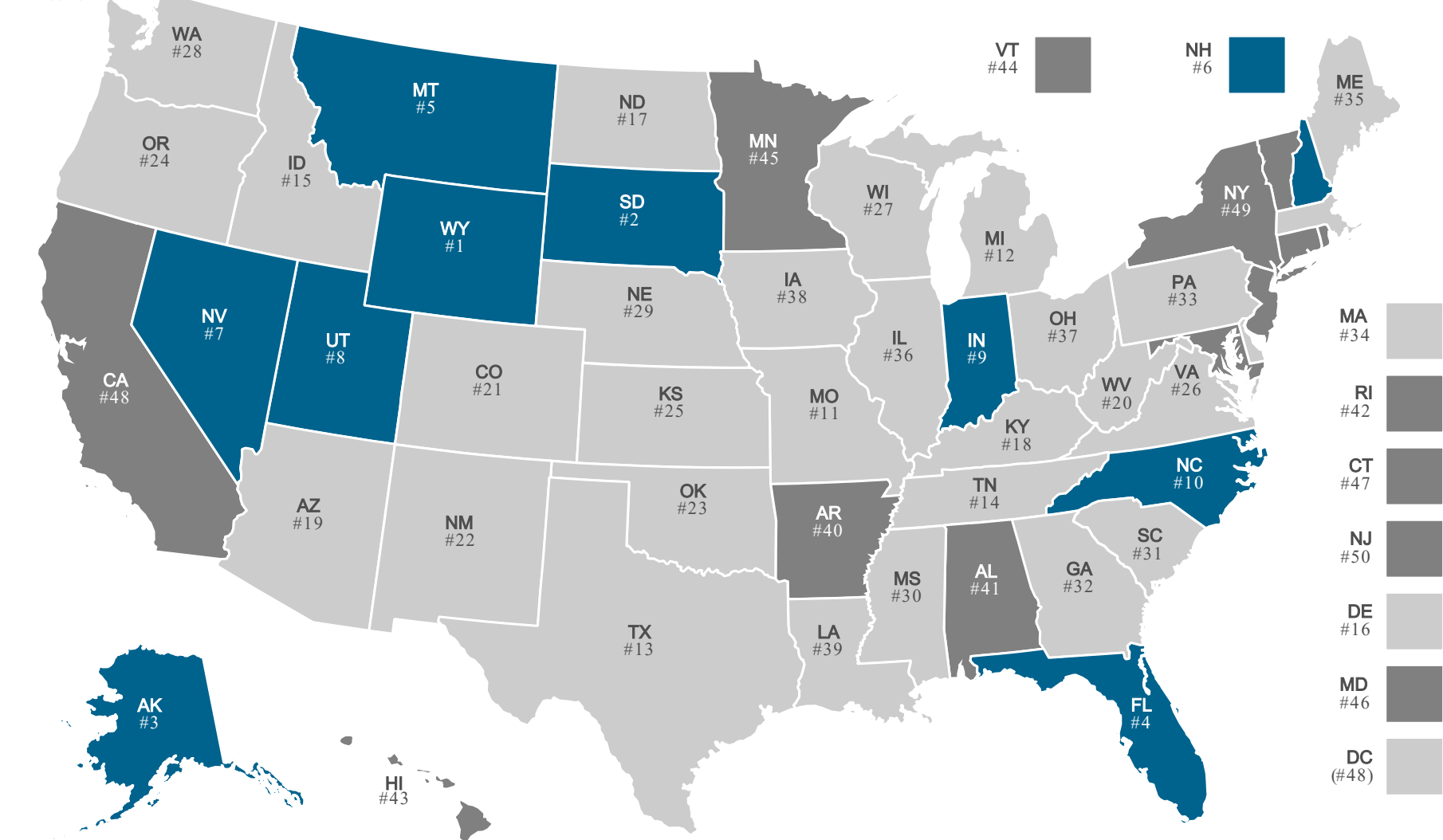
2022 State Business Tax Climate Index



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, 2021 (the beginning of Fiscal Year 2022).  
Source: Tax Foundation

10 Best Business Tax Climates  
10 Worst Business Tax Climates

2023 State Business Tax Climate Index



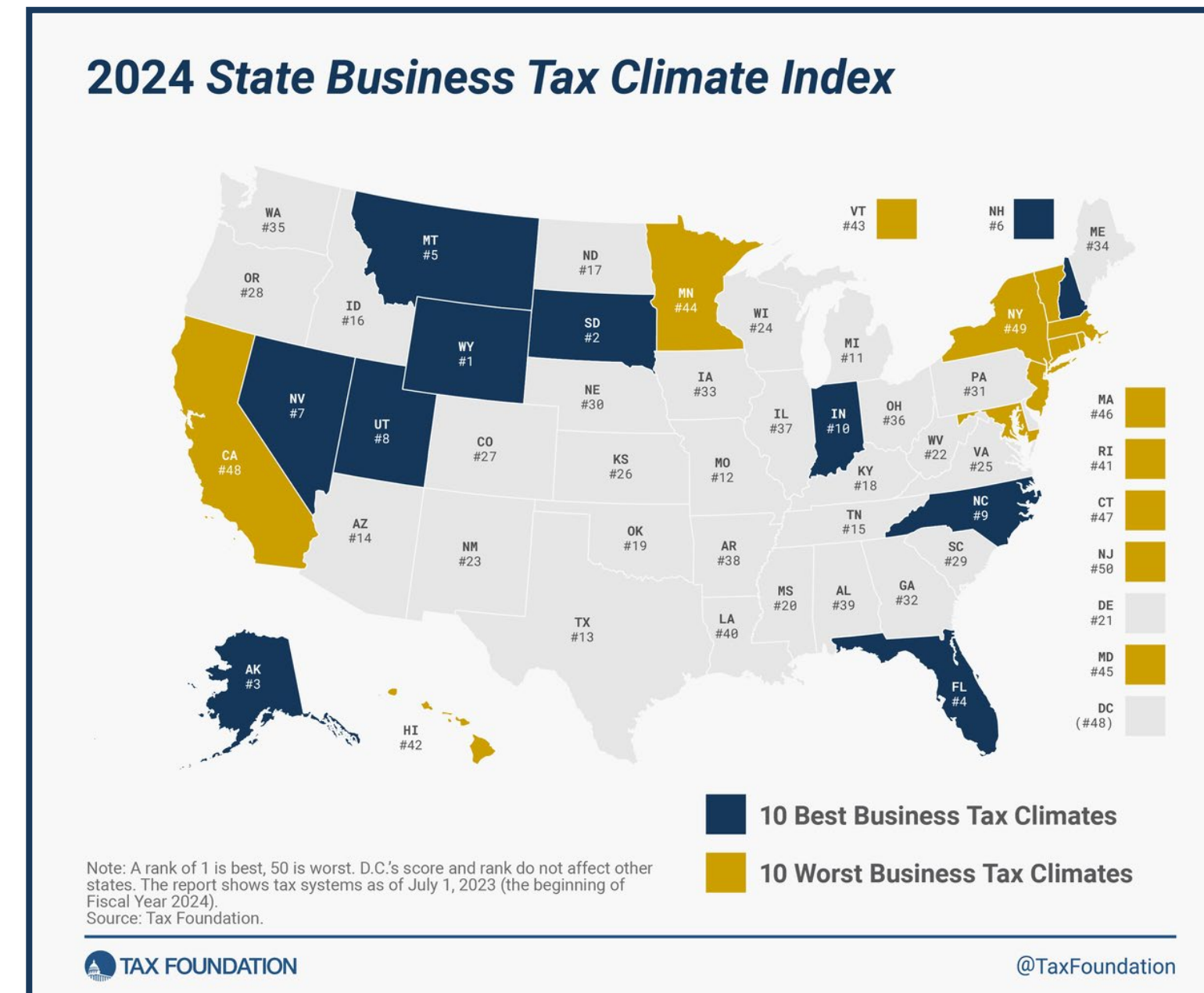
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Source: Tax Foundation.

10 Best Business Tax Climates  
10 Worst Business Tax Climates



# REASONS FOR CONTINUOUSLY LOW RANKINGS:

- Has the highest combined state and average local sales tax rate at 9.56%.
- One of two states without centralized collections and administration of its sales tax
- Imposed uncompetitive taxes such as inventory taxes and a franchise tax.
- Prior to the tax changes in 2021, LA's top marginal personal income tax rate was 6%.
- Prior to the tax changes in 2021, that the top marginal corporate income tax rate was 8% and included 5 separate brackets.







# WHY REFORM NOW?

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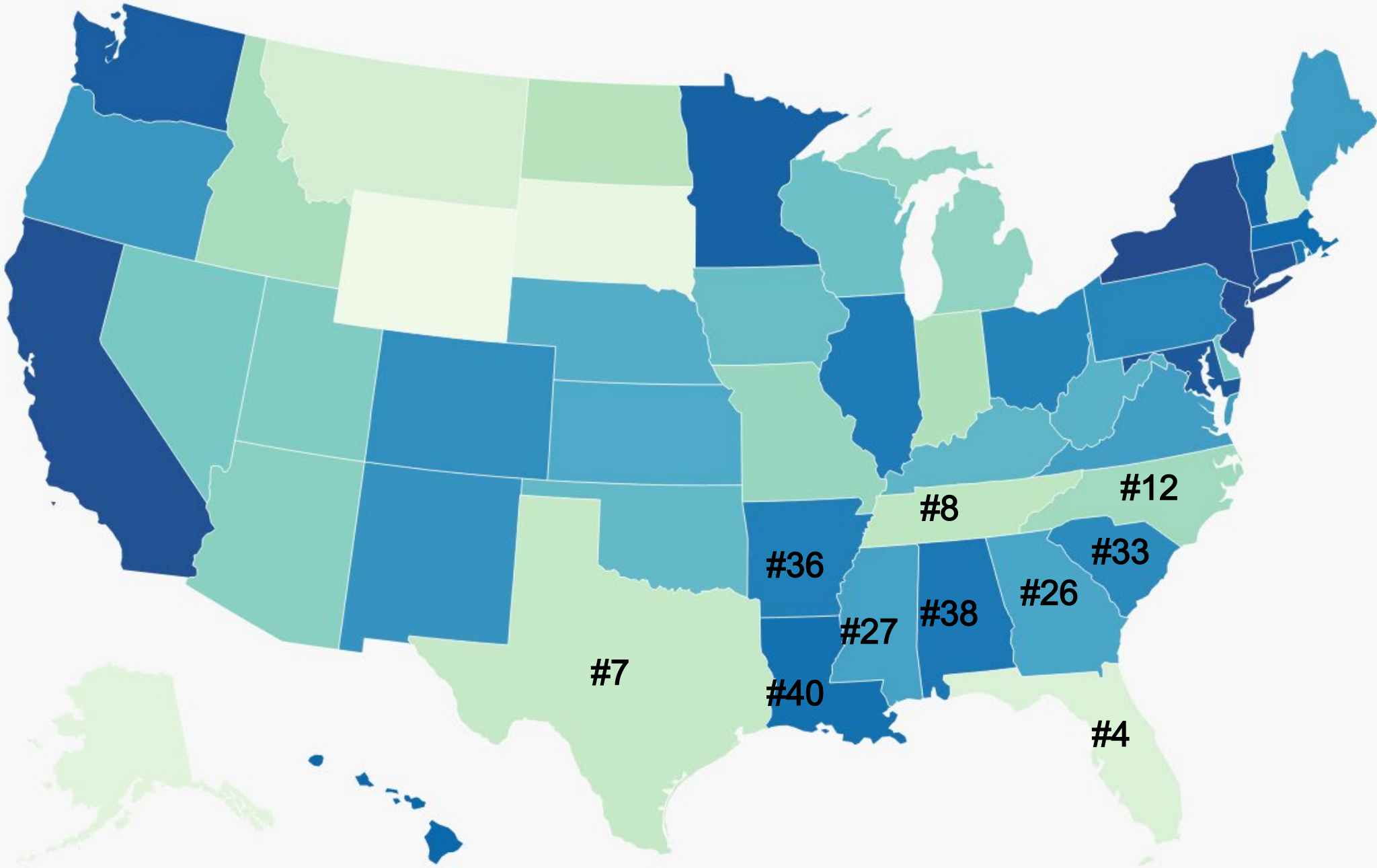
# WHY REFORM NOW?

- Estimated total budget deficit of \$ **793.9 Million**
  - 0.45% sales tax rate increase was set to expire
- National economic competitiveness
- Out migration to neighboring states
- Push to repeal individual income tax
- Failed to enact a constitutional convention
- State-to-local funding balance
- New administration





# 2025 STATE TAX COMPETITIVENESS INDEX



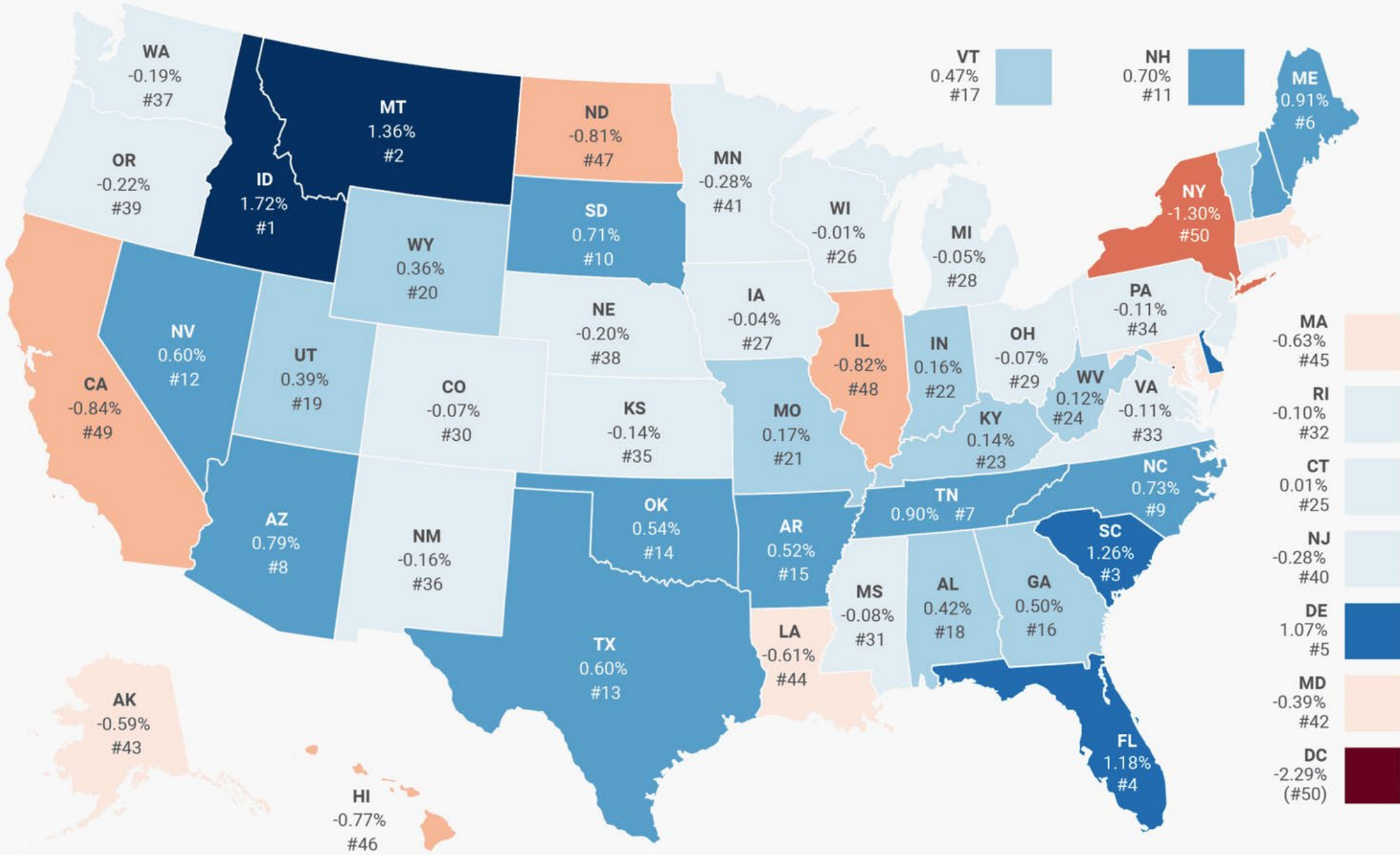
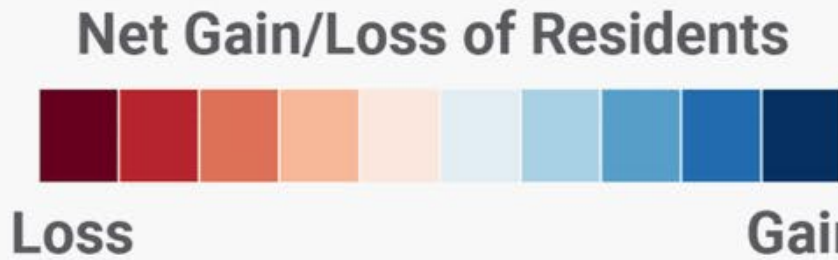
Note: A rank of 1 is best, 50 is worst. Rankings do not average to the total. States without a tax rank equally as 1. DC's score and rank do not affect other states. The report shows tax systems as of July 1, 2024 (the beginning of Fiscal Year 2025).  
Source: Tax Foundation

LOUISIANA RANKINGS	
CORPORATE TAX	29
INDIVIDUAL INCOME TAX	33
SALES TAX	48
PROPERTY TAX	16
UNEMPLOYMENT INSURANCE TAX	9
OVERALL RANK	40



# State Population Changes Attributable to Interstate Migration, 2020-2021

Net Gain/Loss of Residents from Interstate Migration as Share of 2020 State Population



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.  
Source: Internal Revenue Service Migration Data 2020-2021; Census Bureau 2020 population estimates; Tax Foundation calculations.



# WHAT ACTUALLY PASSED?

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# LOUISIANA FORWARD - TAX REFORM BILLS

**ACT 1 / HB 7 (Emerson)** - (Constitutional Amendment) Article VII rewrite

**ACT 12 / HB 11 (Deshotel)** - Moves certain property tax provisions in statute and provides for an optional local inventory tax exemption (statutory companion to HB 7)

**ACT 5 / HB 2 (Emerson)** - Reduces corporate income tax rate to flat 5.5%. Reduces, sunsets, and repeals certain tax credits and incentives.

**ACT 6 / HB 3 (Emerson)** - Repeals the corporate franchise tax

**ACT 10 / HB 8 (Brass)** - Levies sales tax on certain digital products and services

**ACT 11 / HB 10 (Wright)** - Reduces personal income tax rate to flat 3%. Increases the state sales tax to 5% until 2030. Reduces, sunsets, and repeals certain tax credits, incentives, deductions, exclusions, and exemptions.

**ACT 18 / HB 25 (Riser)** - Provides relative to severance tax on oil and gas and for dedication of certain severance tax revenues. Establishes audit parameters, definitions and requirements for horizontal wells eligible for



# ACT 11 / HB 10 - INDIVIDUAL INCOME TAX

- Provides for a **flat 3% individual income tax**
- Increases that **standard deduction** to **\$12,500** for Single/MFS
- Doubles the **annual retirement exemption** to **\$12,000**
- Repeals **net capital gains deduction**
- Reduces, repeals, and sunsets the same tax credits and incentive programs as HB 2
- Effective upon signature of the Governor; Applicable to taxable periods beginning on or after January 1, 2025



# ACT 5 / HB 10 - CORPORATE INCOME TAX

- Reduces the rate of the corporate income tax to a **flat 5.5%**.
- Authorizes a **bonus depreciation deduction** for qualified property or qualified improvement property and a **bonus amortization deduction** for research and experimental expenditures, at the election of the taxpayer, for costs of qualified property, qualified improvement property, and research and experimental expenditures.
  - **"Bonus depreciation"** and **"bonus amortization"** mean methods to recover costs for expenditures in depreciable or amortizable business assets by **immediately deducting the cost of the expenditures in the tax year in which the property is placed in service or the expenditure is paid or incurred**



# ACT 5 / HB 10 - CORPORATE INCOME TAX

- Repeals the provision that treats moveable property within a **Foreign Trade Zone (FTZ)** as being outside of Louisiana for purposes of the apportionment calculation
- **Inventory Tax Credit**
  - Repeals the tax credit for property taxes paid on business inventory for **C-corporations** beginning on or after **July 1, 2026**.
    - C-corporations can continue to claim their carryforwards for the remainder of the initial **10-year period** , plus an additional **5 years** for credits which did not expire prior to January 1, 2025. Credits earned by a C-corporation are non-refundable for periods beginning on or after January 1, 2025.
  - **Retains the credit for individual income taxpayers** .
- Effective Jan. 1, 2025; Applicable to income tax periods beginning on or after Jan. 1, 2025, and franchise tax periods beginning on or after Jan. 1, 2026.



# ACT 6 / HB 3 - CORPORATE FRANCHISE TAX

- Repeals the corporate franchise tax.
- Removes eligibility of tax credits that are currently claimed against the corporate franchise tax.
- Effective on Jan. 1, 2026.; Applicable to corporate franchise tax periods beginning on or after Jan. 1, 2026.



# ACT 11 / HB 10 - SALES AND USE TAX

- Increases the state sales tax rate to **5%** from Jan. 1, 2025 until Dec. 31, 2029 and then reduces it to **4.75%** beginning Jan. 1, 2030.
- Additional **5%** state sales tax on all **telecommunications** services, cable television services, direct-to-home satellite services, video programming services, and digital audio radio services
- Shifts certain **exclusions to exemptions** such as MM&E.
  - *This change would shift the burden of proof from the Department of Revenue to the taxpayer*
- Repealed many exclusions and exemptions.
- New taxable services:
  - **Prewritten computer software access services**
  - **Information services**



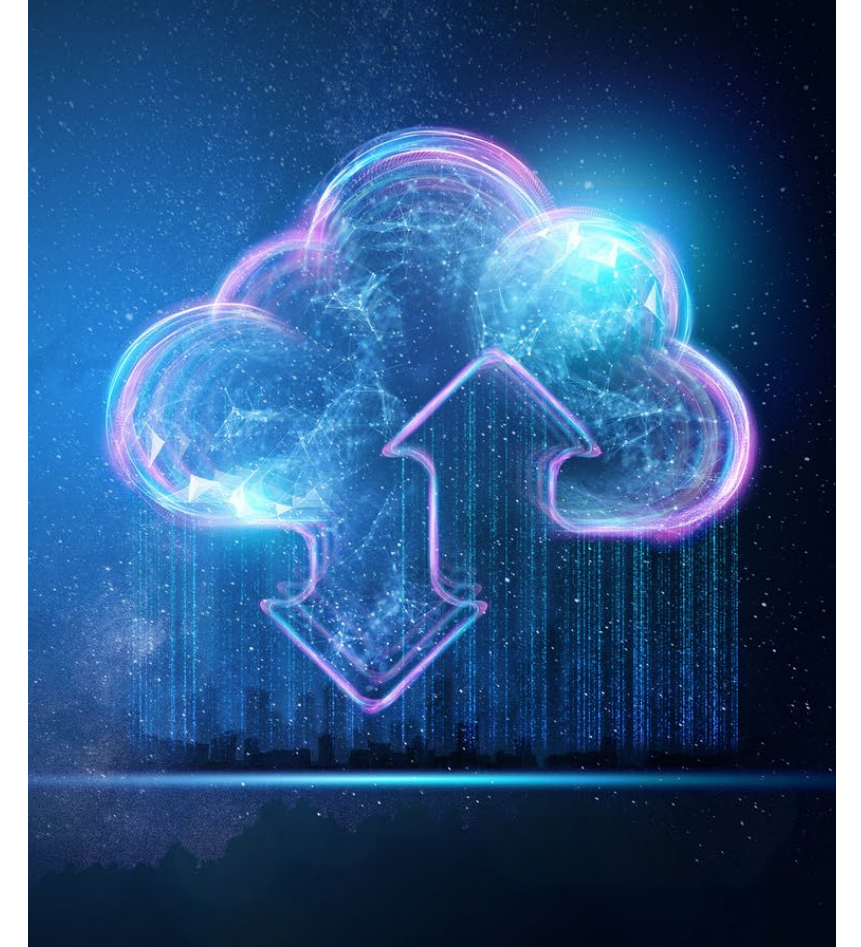
# ACT 11 / HB 10 - SALES AND USE TAX

- State vendor's compensation credit reduced from \$1500 per month to **\$750**. Local credit repealed.
- Repealed **lease / rental with an operator** exclusion. Likely still viewed as nontaxable service in most cases.
- Language added to "Cost Price" and "Sales Price" definitions pertaining to transportation/freight charges
  - **Transportation charges associated with a sale of taxable tangible personal property now taxable**



# ACT 10 / HB 8 - DIGITAL GOODS & PRODUCTS

- Expands the state and local sales tax base to encompass the taxation of digital products:
  - Sales of services expanded to the furnishing of:
    - Prewritten computer software access services
    - Information services
  - Sales of digital products:
    - Digital audiovisual works, Digital audio works, Digital books, Digital codes, Digital applications and games, Digital periodicals and discussion forums
- Sales tax applies when the taxpayer, acting as a consumer, views, accesses, downloads, possesses, stores, opens, manipulates or otherwise enjoys, uses, or receives benefits of the digital product





# ACT 10 / HB 8 - DIGITAL GOODS & PRODUCTS

- **Exemption for software and digital products**
  - The sales and use tax imposed by taxing authorities shall not apply to computer software or prewritten computer software access services, information services, or digital products **when all of the following conditions are met:**
    - The service or product is **purchased or licensed exclusively for commercial purposes** .
    - The service or product is used by the business **directly in the production of goods or services for sale to its customers.**
    - The goods or services produced and sold by the business are **subject to sales and use tax or to the insurance premium tax.**

# ACT 1 / HB 7 - CONSTITUTIONAL AMENDMENT

- Reduces the constitutional cap for individual income tax **maximum rate to 3.75%**
- Requires a **two - thirds vote** of the legislature to enact a tax exemption, exclusion, deduction, credit, or rebate and increase an existing tax deduction, credit, or rebate.
- Moves all property tax exemptions to statute except for the homestead exemption and the exemption for property owned by nonprofits operating exclusively for religious purposes
  - Requires a **three - fourths vote** of the legislature to enact a new property tax exemption and a **two - thirds vote** to change existing property tax exemptions
- Establishes “**business inventory**” as a distinct property classification in the constitution, with a **15% assessment ratio**
- Authorizes an **optional local inventory tax exemption** (as provided by law)
  - **Prohibits the legislature from enacting any law mandating any taxing authority to exempt business inventory from property tax.**
- Combines the Revenue Stabilization Fund and the Budget Stabilization Fund (commonly referred to as the “Rainy Day Fund”), ultimately eliminating the Revenue Stabilization Fund
  - Redirects a **one - time payment** from the Revenue Stabilization Fund to **each parish that elects to irrevocably exempt business inventory from property tax.**



# ACT 12 / HB 11 - STATUTORY COMPANION TO CONSTITUTIONAL AMENDMENT

- **Moves all property tax provisions** that have been removed from Article VII of the Constitution in HB 7 **into statute.**
- **Provides for an optional local inventory tax exemption**
  - **Parishes can elect to exempt business inventory from property taxes** and will receive **state payment.**
  - **Exemption election shall be made no later than July 1, 2026**
  - **Shall be applicable to taxable periods beginning January 1, 2026**
  - **Once exemption is elected, it is irrevocable**
- **Dependent upon the passage of the Article 7 rewrite CA (HB 7)**

# ACT 1 / HB 7 - CONSTITUTIONAL AMENDMENT

- Election on **March 29, 2025**
- Ballot language:
  - *Do you support an amendment to revise Article VII of the Constitution of Louisiana including revisions to **lower the maximum rate of income tax** , **increase income tax deductions for citizens over sixty -five** , provide for a government growth limit, modify operation of certain constitutional funds, provide for property tax exemptions **retaining the homestead exemption and exemption for religious organizations** , provide a **permanent teacher salary increase** by requiring a surplus payment to teacher retirement debt, and make other modifications?*

☐ **YES**

☐ **NO**





# NOTABLE CHANGES FOR PORT ASSOCIATION

- Reduced the rate of the corporate income tax to a **flat 5.5%**.
- Repealed the inventory tax credit for C-corporations
- FTZ provision repealed
- Repealed corporate franchise tax
- Increased sales tax rate to 5%
- Transportation charges included with sale of tangible personal property are now subject to sales tax
- Digital products are now subject to sales tax
- Sunset of LED programs





## ○ NOVEMBER 6 - 22: 2024 Third Extraordinary Session

2025

- JANUARY 1: State sales tax rate increases to 5%  
Individual income tax decreases to flat 3%  
Corporate income tax decreases to flat 5.5%

- MARCH 29: HB 7 Constitutional Amendment election

- APRIL 14 - JUNE 12: 2025 Regular (FISCAL) Session

- JUNE 30: Certain tax incentive programs sunset

2026

- JANUARY 1: Corporate franchise tax repealed

- JULY 1: Inventory tax credit for C - corporations repealed  
Local option inventory tax exemption election deadline

2030

- JANUARY 1: State sales tax rate decreases to 4.75%







# WHAT'S NEXT? THE 2025 FISCAL SESSION

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# LOOKING FORWARD

## 2025 REGULAR FISCAL SESSION

- **Convenes:** Monday, April 14, 2025
- **Adjourns:** No later than Thursday, June 12, 2025
- Legislators can file **5 non -fiscal bills**
- Items we may see:

SALES TAX  
ON  
SERVICES

CENTRALIZED  
SALES TAX  
COLLECTIONS

SALES TAX ON  
BUSINESS  
UTILITIES

SPECIAL  
SESSION  
CLEAN UP

REIMAGINED  
LED  
INCENTIVES

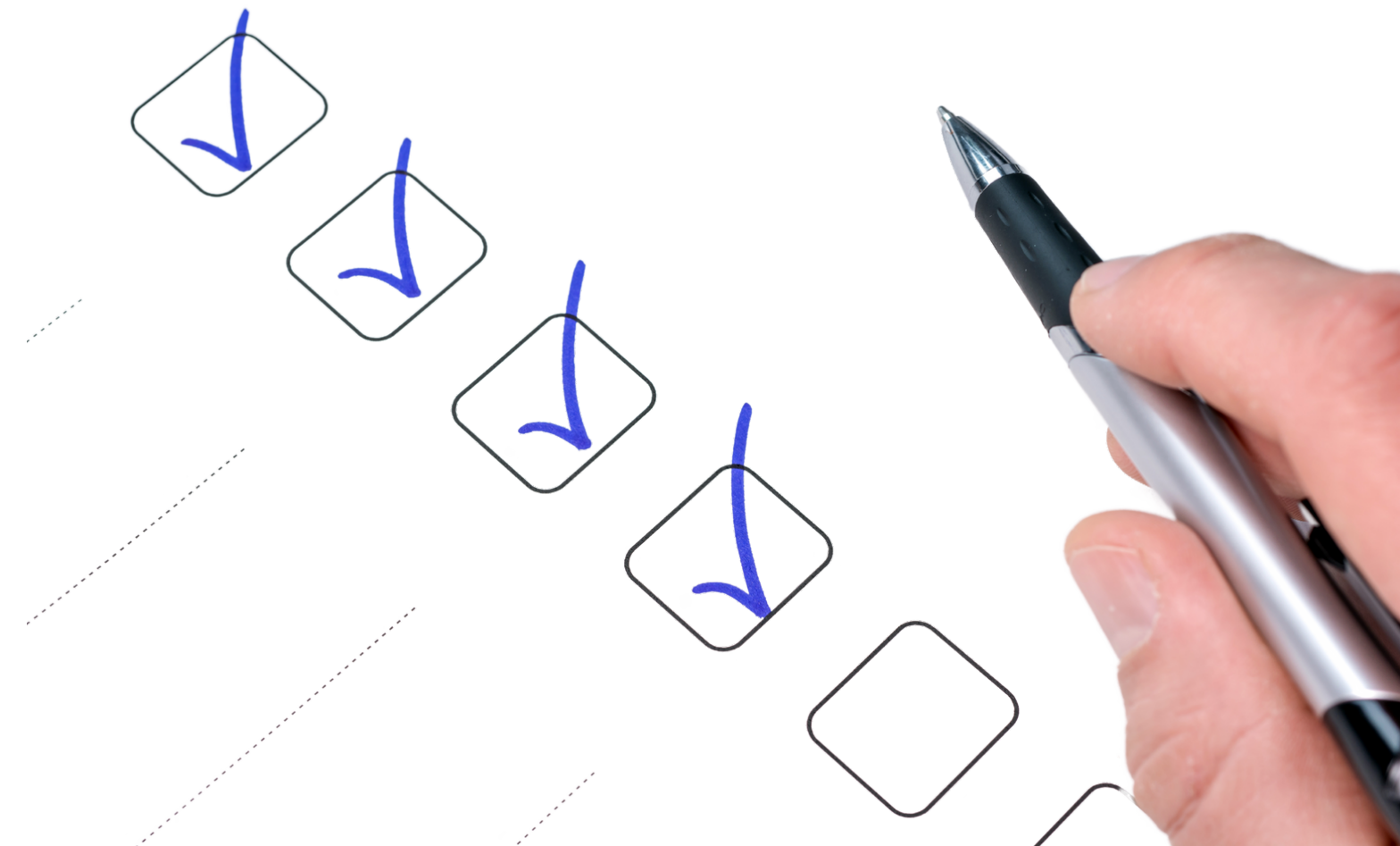
SEVERANCE  
TAX  
REFORM





# ITEMS WE MAY SEE IN THE 2025 LEGISLATIVE SESSION

- Clean-up language from 2024 Special Session on items such as:
  - Clarify sales tax on information services
  - Unintended repeal of local vendors compensation
  - Vehicle rentals during repairs under warranty
- Personal and corporate income tax
  - Continue rate reductions
  - Simplify S Corporation tax treatment
  - Clean up outdated statutes
  - Remove underutilized credits



# ITEMS WE MAY SEE IN THE 2025 LEGISLATIVE SESSION

- Sales and Use Tax
  - Alignment of state and local tax bases (i.e., prescription drugs and MM&E)
  - Uncontested taxable services
  - Rate Reductions
  - Administrative changes
- Ad Valorem Tax
  - Inventory Tax Opt-out
  - Millage Roll-up Process on Reassessment
  - Fair Market Value/Assessment Ratios
  - Truth in Property Taxation
  - PILOTs/Property Tax Exemptions



# ITEMS WE MAY SEE IN THE 2025 LEGISLATIVE SESSION

- Severance
  - Rate Changes (remove exemption/reduction for horizontal wells)
  - Valuation Methods
- Carbon Capture
  - Injection Tax with Local Split
- Hemp
  - Excise Tax Changes (increase rate)

# REIMAGINED LED INCENTIVES

- ACT 5 / HB 2 **sunset** and **repealed** certain income and franchise tax credits & incentives such as:
  - Quality Jobs Program
  - Enterprise Zone
- Reimagined LED Incentives:
  - **SITE DEVELOPMENT FUND:** Carries sites further than certification, funds site development activities (e.g. utilities, infrastructure improvements)
  - **STRATEGIC INVESTMENT FUND:** Customized grant program to provide flexibility and ensure maximum benefit to the state
  - **HIGH-IMPACT & HIGH-WAGE JOB CREATION PROGRAM:**  
For eligible companies creating high-wage jobs





# ITEP RULES UPDATE

- Final rules were published in the March 2025 *Louisiana Registrar*.
- Summary of new rules:
  - Exemption rate retained and increased for mega projects
  - Job and payroll commitment “opt out” for existing 2017 and 2018 ITEP contracts
  - Recognition of payment under protest
  - Expanded site description
  - Additional definitions
  - Streamlined approval process
  - Annual reporting requirement
  - Renewal process change

# QUESTIONS?

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Business Incentives | Sales & Use Tax | Property Tax | Income & Franchise Tax  
Severance Tax | Compliance & Advisory | Appeals & Disputes | Government Relations



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