

Louisiana – Governor calls for state income tax phase-out

April 11, 2013

In brief

On April 8, 2013, Louisiana Governor Bobby Jindal decided to ‘park’ his tax plan, which originally called for: (1) eliminating what he referred to as ‘loopholes’ in the corporation income tax, (2) broadening the state sales tax base, and (3) raising the state sales tax rate. In lieu of his original plan, the governor called on the Louisiana Legislature to phase out the personal and corporation state income tax. [Governor Jindal press release (4/8/13)]

There are several bills currently before the Louisiana Legislature proposing to reform the state’s corporation income and franchise taxes and personal income tax, including the following.

- H.B. 333 and H.B. 379 would repeal the corporation franchise tax and provisions related to ‘taxable capital.’
- H.B. 441 would repeal the corporation income and franchise taxes effective January 1, 2014.
- H.B. 634 would phase out the corporation income and franchise taxes over a period of 10 years.
- H.B. 637 would phase out the corporation income and franchise taxes over a period of 3 years.
- S.B. 138 would phase out the individual and corporation income taxes over 10 years.
- H.B. 178 would repeal the corporation income and franchise taxes effective January 1, 2014.
- H.B. 640 would phase out the corporation income and franchise taxes over 10 years.
- H.B. 271 would phase out the individual income tax over 10 years starting January 1, 2014.
- H.B. 505 would phase out the individual income tax over 10 years starting January 1, 2016.

The takeaway

Several months prior to the commencement of the current legislative session, there was significant publicity with respect to the governor's proposed plan to eliminate the corporate

franchise tax and both corporate and personal income taxes. However, details of the plan were not made available to the public until shortly before the start of the legislative session. Prior to knowing specific elements of the governor's plan,

certain legislators in support of tax reform had pre-filed bills that would achieve the elimination of personal income and/or corporation income and franchise taxes, thus explaining the numerous bills with various provisions listed above.

The governor did not provide much insight regarding the reasons for setting aside his proposed tax reform plan. However, he did suggest that his proposal may have been moving too fast. The Louisiana Association of Business and Industry (LABI) came out strongly against the governor's

proposal. In particular, LABI was most concerned with the potential \$500 million or more shift in tax burden to Louisiana businesses. LABI stated that it would only support the proposal if the new tax system would not increase the tax burden on Louisiana businesses.

Governor Jindal acknowledged that he still likes his plan, suggesting that he may continue to pursue elements of it during negotiations.

We will continue to monitor changes in Louisiana and report on any significant developments.

Let's talk

If you have any questions regarding the governor's plan or the pending legislation, please contact:

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