



Louisiana Corporate Tax Revenue Proposals

Task Force on Structural Changes in Budget and Tax Policy

May 20, 2016

TRENDS IN LOUISIANA CORPORATE INCOME TAX

Trends in LA Corporate Income Tax

- Accelerated collections due to three consecutive amnesty periods
- Corporate Income and Franchise Tax (CIFT) Collections and Refunds:

Fiscal Year	CIFT Collections	CIFT Refunds	Net CIFT Collections	Refunds as % of Collections
2012	\$966,500,000	(\$650,300,000)	\$316,200,000	67%
2013	\$990,000,000	(\$606,400,000)	\$383,600,000	61%
2014	\$1,391,400,000	(\$767,800,000)	\$623,600,000	55%
2015	\$1,116,700,000	(\$619,700,000)	\$497,000,000	55%
2016*	\$905,400,000	(\$770,300,000)	\$135,100,000	85%

*Fiscal Year 2016 amounts as of April 30, 2016

Trends in LA Corporate Income Tax

- Accelerated filings in Fiscal Year 2015 due to legislative changes from the 2015 Regular Session
- Louisiana CIFT Tax Return Volume:

Fiscal Year Originally Received	Returns Filed*
2009	109,525
2010	119,699
2011	137,153
2012	128,837
2013	142,903
2014	136,778
2015	170,539
2016**	99,927

* Returns Filed include estimated system generated returns.

** Fiscal Year 2016 amount as of May 18, 2016

Trends in LA Corporate Income Tax

- Increased usage of exclusions, deductions, and credits
- Increase in Exclusions, Deductions, and Credits:

Fiscal Year	NOL Deduction	Inventory Tax Credit
2013	\$318,100,000	\$407,800,000
2014	\$358,700,000	\$441,000,000
2015	\$487,000,000	\$536,400,000

Louisiana Corporate Tax Proposals

2013 Summary of Filed Corporate Income and Franchise Tax Returns

Tax Bracket	Income Range	Tax Rate	Louisiana Net Income	Quantity	Percent of Returns Filed
Less than Zero	Less than zero		(\$58,610,200,000)	18,232	17%
Zero	Zero		0	58,204	54%
1	Up to \$25,000	4%	\$116,900,000	15,418	14%
2	\$25,001 - \$50,000	5%	\$154,100,000	4,261	4%
3	\$50,001 - \$100,000	6%	\$280,100,000	3,941	3%
4	\$100,001 - \$200,000	7%	\$416,400,000	2,949	3%
Top	Over \$200,000	8%	\$14,359,600,000	5,397	5%

Louisiana Corporate Tax Proposals

- The Department presents the following corporate tax proposals to the Task Force for consideration:
- Single sales apportionment
- Taxation and Apportionment of interest and dividends

SINGLE SALES APPORTIONMENT

Single Sales Apportionment

- For state corporate income tax purposes, apportionment is the process of assigning to a particular state that portion of a multistate corporation's income that the state may tax.
- State apportionment formulas are made up of one or more factors that compare certain aspects of a taxpayer's business activity in the state to its business activity elsewhere.
- Louisiana Sales / Total Sales
- Louisiana Property / Total Property
- Louisiana Payroll / Total Payroll

Single Sales Apportionment

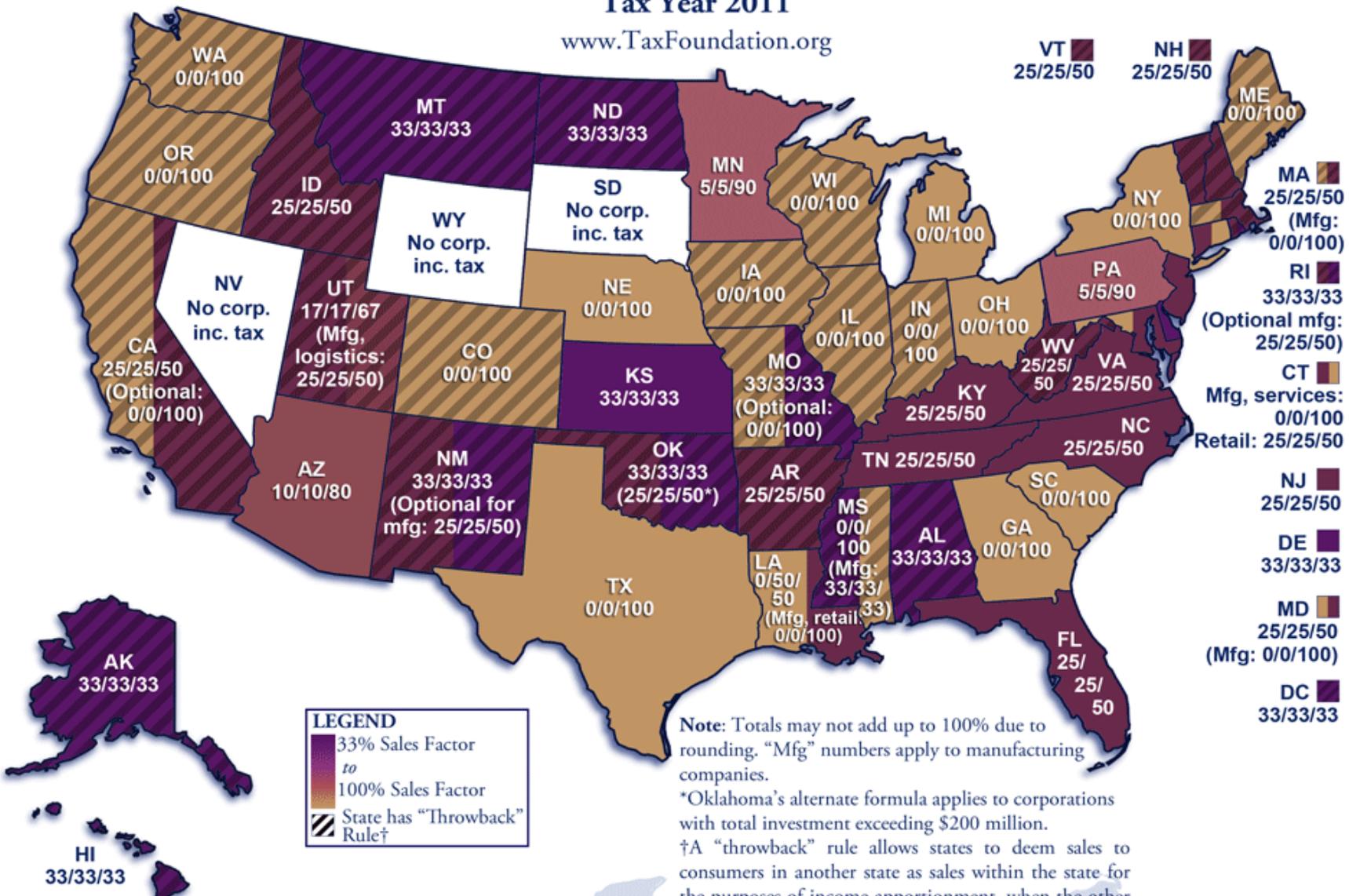
- Most state apportionment formulas fall within one of three categories:
 1. Equally weighted three-factor formula;
 2. Three-factor formulas with enhanced sales factors; or
 3. Single sales factor formulas.
- Louisiana has adopted a hybrid approach
 - Single sales factor formula for manufacturers and merchandisers
 - Equally weighted three-factor formula for all other industries

State Corporate Income Tax Apportionment Formulas

Property/Payroll/Sales Percent

Tax Year 2011

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Note: Totals may not add up to 100% due to rounding. "Mfg" numbers apply to manufacturing companies.

*Oklahoma's alternate formula applies to corporations with total investment exceeding \$200 million.

†A "throwback" rule allows states to deem sales to consumers in another state as sales within the state for the purposes of income apportionment, when the other state does not apportion that sale for its own corporate income tax.

Source: Tax Foundation research.

Single Sales Apportionment

- Apportionment Example 1:

	3 - Factor Apportionment	Double-Weighted Apportionment	Single Sales Factor
Taxable income to be apportioned	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Property Factor	0.75	0.75	-
Payroll Factor	0.50	0.50	-
Sales Factor	0.25	0.25	0.25
Sales Factor	-	0.25	-
Number of Factors	3	4	1
Average factor	0.50	0.44	0.25
Apportioned income	<u>\$ 500,000</u>	<u>\$ 437,500</u>	<u>\$ 250,000</u>

Single Sales Apportionment

- Apportionment Example 2:

	3 - Factor Apportionment	Double-Weighted Apportionment	Single Sales Factor
Taxable income to be apportioned	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Property Factor	0.25	0.25	-
Payroll Factor	0.50	0.50	-
Sales Factor	0.75	0.75	0.75
Sales Factor	-	0.75	-
Number of Factors	3	4	1
Average factor	0.50	0.56	0.75
Apportioned income	<u>\$ 500,000</u>	<u>\$ 562,500</u>	<u>\$ 750,000</u>

APPORTIONMENT OF INTEREST AND DIVIDENDS

Interest and Dividends Apportionment

- Historical Treatment
 - Prior to 2005, income from interest and dividends were treated as allocable.
 - Act 401 of the 2005 Regular Session exempted interest and dividends from the list of items of allocable income.
 - Act 123 of the 2015 Regular Session provided that 28% of dividend income is taxable as apportionable income.

Interest and Dividends Apportionment

- Proposals for the taxation of interest and dividend income as apportionable income
 1. Interest attributed to the various states based upon the transaction creating the income.
 2. Dividends attributed to the state in which the securities producing the income have their business situs or in the absence of business situs to the commercial domicile of the taxpayer receiving the dividend.