

This Week in State Tax (TWIST)

December 2, 2024



Louisiana: Special Session Adjourns; Significant Income and Sales Tax Changes Sent to Governor

Amid a flurry of activity, the Louisiana Legislature adjourned its special session on November 22 after approving several measures to flatten and reduce the rates of both the personal and corporate income tax as well as make significant changes in the base and rate of the sales and use tax. At this writing, Governor Landry has not signed the bills into law, but he is expected to do so in that they embody many of the recommendations he made when he called the legislature into session on November 6. The bills before the governor include:

[House Bill 2](#) – The bill replaces the current graduated corporate income tax rate structure with a single rate of 5.5 percent on all taxable income, effective for tax years beginning on or after January 1, 2025. The measure provides a \$20,000 deduction from gross income for all taxpayers and allows taxpayers to elect bonus depreciation investments in qualified property and qualified improvement property, as well as bonus amortization for research and experimentation expenses. Finally, the measure repeals the credit for local inventory taxes for C Corporations for tax years beginning on or after July 1, 2026, as well as limiting or repealing several other credits, deductions, exemptions, and incentives in the current structure.

[House Bill 3](#) – The measure repeals the state corporation franchise tax, effective for franchise periods beginning on or after January 1, 2026.

[House Bill 7](#) – The bill provides for a proposed constitutional amendment to restructure and revise the Finance and Revenue Article of the Louisiana Constitution. The measure will be presented to the voters at a special election on March 29, 2025. It does not affect implementation of the other measures passed in the special session.

[House Bill 8](#) – This measure imposes state and local sales and use tax on certain digital products and services. As defined, digital products include “digital audio works, digital audiovisual works, digital books, digital applications and games, digital periodicals and discussion forums, and any otherwise taxable tangible personal property transferred electronically, whether digitally delivered, streamed, or accessed.” The term does not include intangible property, the work product of a professional service delivered electronic form, or various telecommunications and video services. There are exemptions or exclusions for digital products and services when purchased exclusively for commercial purposes and used directly in producing taxable services and products for customers, as well as for certain uses by FDIC-insured financial institutions and health care facilities. The bill is effective for taxable periods beginning on or after January 1, 2025.

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[House Bill 10](#) – This bill overhauls the individual income tax system as well as makes changes in the state sales tax rate and expands the sales tax base to include a variety of heretofore excluded services. As to the individual income tax, the bill replaces the current graduated rate structure with a flat rate of 3.0 percent on taxable income, effective for tax year 2025. A standard deduction of \$12,500 is allowed for single individuals and \$25,000 for married filing joint taxpayers.

The bill increases the state sales and use tax rate to 5.0 percent, effective January 1, 2025, for five years, after which it will decrease to 4.75 percent on January 1, 2030. The measure also extends permanently a 2.0 percent tax on business utilities that was set to expire in 2025. It also gathers the codification of various services into a single location and imposes the tax on two new services. Taxable services now include:

- Rental of a range of accommodations,
- Charges for admissions, including places of amusement, recreational events, entertainment, and participations in games and amusement activities,
- Parking and storing of motor vehicles,
- Printing and copying services,
- Laundry, cleaning, pressing, alterations, repair and dyeing,
- Cold storage,
- Repairs and maintenance of tangible personal property, including vehicles, vessels, appliances, and other items,
- Prewritten computer access services (new), and
- Information services (new), meaning electronic data retrieval or research and collecting, compiling, analyzing, or furnishing information of any kind, regardless of the means used, including access through data bases or subscriptions. Information services does not include certain information sold to a newspaper or FCC-licensed radio or television station, certain charges by financial institutions, and data processing.

Taken together, the measures represent a substantial revision of the Louisiana state tax structure by inaugurating a flat-rate corporate and personal income tax as well as revising the rates and base of the state sales and use tax. They accept many, but not all, of Governor Landry's earlier recommendations, and many expect that there will be discussion of further changes in the 2025 legislative session. For further information, please contact [Randy Serpas](#) or [Harley Duncan](#). Please note that KPMG will release a SALT Alert, following the Governor's action and the gathering of further information.

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