



## **SALT Alert! 2024-14: Louisiana Governor Landry Signs Significant Tax Changes into Law**

On December 4, 2024, Governor Jeff Landry approved several tax measures passed in the recent special session of the Louisiana Legislature. The new laws represent a significant reform of the state tax structure in that they flatten and reduce the rates of personal and corporate income taxes and repeal the corporation franchise tax, as well as make significant changes in the base and rates of sales and use tax. The approved bills substantially reflect recommendations made by the governor when he called the special session in early November. The bills approved by the governor include:

[House Bill 2 \(Act 5\)](#) – The bill revises the corporation income tax by eliminating the current graduated rate structure and replacing it with a single rate of 5.5 percent on all taxable income for tax years beginning on or after January 1, 2025. The measure also provides a \$20,000 deduction from gross income for all taxpayers and allows taxpayers to elect bonus depreciation for investments in qualified property and qualified improvement property, as well as bonus amortization for research and experimentation expenses. The bonus depreciation and amortization provisions are modeled after federal provisions and apply to property placed in service and expenses incurred after January 1, 2025. Finally, for Subchapter C corporations only, the measure repeals the credit for local inventory taxes paid for tax years beginning on or after July 1, 2026, as well as limits or repeals several other credits, deductions, exemptions, and incentives, including the Enterprise Zone and Quality Jobs incentives.

[House Bill 3 \(Act 6\)](#) – The measure repeals the state corporation franchise tax levied on all corporations, effective for franchise periods beginning on or after January 1, 2026 (measurement date of December 31, 2025).

[House Bill 7 \(Act 1\)](#) – The enacted bill proposes a constitutional amendment to restructure and revise the Finance and Revenue Article of the Louisiana Constitution. The proposed amendment will be presented to the voters at a special election called for March 29, 2025. The proposed revision does not affect implementation of the other measures approved in the special session, but it does adopt several long-term structural changes, including elimination of several seldom-used special purpose funds with dedicated revenues to aid in financing the income tax rate reductions and provide a funding mechanism for a permanent public school teacher salary increase adopted in another bill. It also places a limit on future state expenditure growth and moves many property tax provisions from the constitution to state statutes.

[House Bill 8 \(Act 10\)](#) – This measure imposes state and local sales and use taxes on certain digital products and services for tax periods beginning on January 1, 2025. 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 representation of a work product of a professional service in an electronic form, telecommunications services, cable television, video programming services, or satellite radio services. There are also several exemptions or exclusions for certain digital products and services used in select business processes, including:

- Computer software, prewritten software access services, information services, and digital products when purchased or licensed exclusively for commercial purposes and used directly in the process of producing services and products for customers that are subject to sales, use or insurance premium tax; [Note: prewritten software access services and information services are made taxable by House Bill 10 as discussed below.]
- Digital products, prewritten computer software access and information services purchased and used by FDIC-insured financial institutions for storing, transmitting, processing or analyzing customer and account information, facilitating transactions, account processes, investment processes, lending processes, security, and compliance; and
- Digital products used by licensed healthcare facilities and providers for storing and transmitting healthcare information as well as the diagnosis or treatment of a medical condition.

The bill mandates that sales and use taxes of local political subdivisions are also imposed on digital products and subject to the definitions, exemptions, and exclusions in the bill.

[House Bill 10 \(Act 11\)](#) – This new law overhauls the individual income tax structure, as well as increasing the state sales tax rate and broadening the sales tax base. 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 years beginning on and after January 1, 2025. A standard deduction of \$12,500 is allowed for single individuals and married filing separate filers, and twice that amount for married filing joint, surviving spouse, and head of household returns. These amounts will be adjusted annually for inflation beginning in 2026.

As to the sales and use tax, the bill increases the state rate to 5.0 percent, effective January 1, 2025; the rate will be reduced to 4.75 percent on January 1, 2030. The measure also extends permanently a 2.0 percent tax on certain business utilities that was set to expire in 2025. It also gathers the codification of various taxable services into a single location and imposes the tax on two new services (prewritten computer access services and information services). As revised, the section on taxable services now includes:

- Rental of a wide range of accommodations, including collection of tax by accommodations intermediaries
- Charges for admissions, including to places of amusement, recreational events, entertainment, exhibitions, and participations in games and amusement activities. It also includes furnishing, for dues or other fees, the privilege of access to clubs (including buyers' clubs) or the privilege of access to amusement, entertainment, athletic, or recreational facilities, including coin-operated amusements.
- Parking and storing of motor vehicles
- Printing and copying services, including coin-operated services
- Laundry, cleaning, pressing, alterations, repair, and dyeing, including coin-operated devices
- Cold storage
- Repairs and maintenance of a range of tangible personal property, including, but not limited to, vehicles, vessels, appliances, furniture, jewelry, shoes, and office equipment

- Telecommunications services [see also below]
- Prewritten computer access services, meaning access to prewritten computer software maintained by the seller or a third party without regard to whether the charge is based on use, user, license, subscription or another basis.
- Information services, 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. Taxable information services include, among others, newsletters, research publications, financial reports, mailing lists, news clipping services, wire services, surveys, subscriptions to data bases, global positioning systems services, and for state tax purposes only, cable television, satellite television, video programming, and satellite radio services.

There are also several exceptions to the definition of information services, including: information sold to a newspaper or FCC-licensed radio or television station if gathered for direct use by them, charges by financial institutions to a person for account balances, and data processing, including check and payment processing.

House Bill 10 also provides a special state sales and use tax regime for telecommunications services, cable and satellite television services, video programming services and satellite digital audio (radio) services. Each of these services will be subject to the state sales and use tax only (five percent as of January 1, 2025). In addition, each of the services will be subject to an additional state sales and use tax of five percent. This regime is in lieu of any local sales and use taxes on the identified services, with the exception that any local government sales and use tax on telecommunications services in effect on July 1, 1990, may continue in force and effect. The Department of Revenue will collect the tax imposed under the new regime, and proceeds—less an allowed administration fee—will be deposited in the local revenue fund. The new structure does not foreclose imposition of local franchise, excise, license, or gross receipts taxes on such services as otherwise permitted by law.

Other provisions of note in House Bill 10 are the inclusion of sourcing and bundled transaction rules that are similar, in many regards, to those contained in the Streamlined Sales and Use Tax Agreement. The sourcing rule allows sellers of computer software, prewritten computer access, information services, and digital products that are to be used in more than one political subdivision to be sourced, at the time of the transaction, based on the number of users or licenses if sufficient information is available to the seller; otherwise, the obligation for the allocation falls on the purchaser. In addition, the measure reduces the allowable state vendor compensation from a maximum of \$1,500 per month to \$750 per month and eliminates local vendor compensation allowances. It also repeals several exemptions and exclusions in current law, including those allowed for sales of newspapers and manufacturer rebates paid directly to dealers, and converts certain sales and use tax exclusions to exemptions. Finally, the bill requires each parish tax collector to modify their sales and use tax returns to include a separate line item for sales of prescription drugs and for sales of manufacturing machinery and equipment effective by January 1, 2025. The information gathered is to inform officials of the costs involved in potentially expanding certain exemptions statewide.

### **Next steps and contacts**

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. They accept many, but not all, of Governor Landry's earlier recommendations. Many observers expect that there will be further discussion of these and other changes in the 2025 legislative session when it convenes in April 2025. For further information, please contact [Randy Serpas](#) (sales and use tax) or [Lori Wright](#) (income/franchise tax).

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