2017 BUDGET STABILIZATION PLAN

Louisiana faces a more than $1.3 billion fiscal cliff – a point when a significant amount of revenue falls off of the books and reductions to various credits and rebates return to normal. We are operating under a broken, outdated system that just simply doesn't work for Louisiana any longer.

We need to bring stability and predictability to our state and ensure that we are all paying our fair share to make Louisiana the state we all know that it can be.

INDIVIDUAL INCOME TAX PROPOSALS

- Eliminate the Federal Income Tax deduction
- Cut taxes for 90% of individual tax filers by lowering the rates to 1% / 3% / 5%

SALES TAX PROPOSALS

- Remove the 5th penny: ($880 Million)*
- Clean existing pennies: **Replaces $180 Million in revenue**
- Expand sales tax to services: **Replaces $200 Million in revenue**

CORPORATE TAX PROPOSALS

- Eliminate the Federal Income Tax deduction and lower corporate income tax rates to 3% / 5% / 7%: **Replaces $66 Million in revenue**
- Implement a Commercial Activity Tax (CAT) for corporations and limited liability entities: **Replaces $800-900 Million in revenue**
- Phase out Corporate Franchise Tax over 10 years

TAX EXPENDITURE PROPOSALS

- Make permanent reductions to credits and incentives: **Replaces $192.5 Million* in revenue**
- Sunset or eliminate certain credits and incentives

BUDGET PROPOSAL

- Once our budget and tax structure is stabilized, budget for 98% of forecasted revenues to avoid mid-year cuts and to have funding available in times of emergency

* Based on fiscal notes from previous legislative sessions

Summary of Louisiana Commercial Activity Tax Proposal

The Governor's proposal provides that a Commercial Activity Tax (CAT) is assessed on each entity doing business in the state of Louisiana based on taxable gross receipts. The CAT is imposed on the entity receiving the gross receipts and applies to most businesses including retail, wholesale, service, and manufacturing regardless of the type of business organization. For example, partnerships, LLCs, S corporations, C corporations, limited partnerships and other types of associations are subject to the CAT. Businesses with less than $1,500,000 in taxable gross receipts are not subject to the CAT.

Entities Subject to CAT	Entities Exempt from CAT
• Partnerships • Limited Liability Companies • Limited Liability Partnerships • Corporations • S Corporations • Joint Ventures • Disregarded Entities	• Non-profit organizations • Governmental entities • Certain public utilities • Certain financial institutions • Certain insurance companies • Businesses with $1,500,000 or less of taxable gross receipts.

	CAT Calculation
	Gross Receipts $1.5M to $3M
-	Deductions
=	Taxable Gross Receipts
x	Tax Rate of 0.35%
-	[5,250 x ($3 Million – Taxable Gross Receipts)/$1.5 Million]
=	Total Amount Due

Most receipts generated in the ordinary course of business and attributable to sales made or services rendered in Louisiana are subject to the CAT. Deductions available to reduce gross receipts are: (1) cash discounts allowed and taken; and (2) returns and allowances.

The remaining gross receipts after deductions are limited to those receipts attributable to Louisiana. Gross rents and royalties from real property located in Louisiana must be attributed to Louisiana. Similarly, gross receipts from the sale of tangible personal property must be attributed to Louisiana if the property is received in Louisiana by the purchaser. Gross receipts from the sales of all other services must be attributed to Louisiana if the purchaser or recipient of the service receives the benefit in Louisiana. For corporate income taxpayers, the gross receipts calculation is identical to the calculation of the Louisiana sales apportionment ratio.

Taxable Gross Receipts	MCAT	CAT
Less than $1.5 Million	$250 - $750, depending on level of gross receipts	No additional tax due
$1.5 Million to $3 Million		(0.35% x Taxable Gross Receipts) – [$5,250 x ($3 Million – Taxable Gross Receipts)/$1.5 Million]
More than $3 Million		0.35% x Taxable Gross Receipts

Taxable Gross Receipts above $1.5 million are subject to the CAT at a rate of 0.35%. A Minimum Commercial Activity Tax ("MCAT") ranging from $250 to $750 is assessed on all entities with gross receipts of $1.5 million or less based on the level of gross receipts received. Businesses with $1.5 million or less of taxable gross receipts do not pay the CAT.

For corporations and limited liability companies that have elected to be taxed as corporations, the total amount due on the corporation income tax return is the greater of: (1) the MCAT; (2) the CAT; or (3) the net tax due after the application of all credit carryforwards, nonrefundable credits, and refundable credits against the corporation income tax. The CAT will serve as an alternative minimum tax to the corporation income tax. For all pass through entities not subject to the corporation income tax with more than $1.5 million in taxable gross receipts, the amount due is the CAT; if the result of the CAT calculation is zero or less then the top tier of the MCAT is the amount due.