



MULTISTATE TAX

Louisiana enacts income, franchise, and sales and use tax changes

Tax Alert

Overview

On December 5, 2024, Louisiana House Bills 2, 3, 8, and 10 (“H.B. 2, H.B. 3, H.B. 8, and H.B. 10”) were enacted into law, resulting in several changes to Louisiana's tax structure. These changes include the adoption of flat income tax rates for individuals and corporations, the repeal of the corporate franchise tax, and the expansion of the sales and use tax base to include digital products. Additionally, a statewide vote on constitutional amendments related to budget and tax provisions is scheduled for March 29, 2025.

This Tax Alert provides a summary of some of the relevant tax law changes.

Income and franchise tax provisions

[H.B. 10](#) implements several changes to the individual income tax laws for tax years beginning on or after January 1, 2025, including replacing Louisiana's three-bracket income tax system with a flat 3% rate, increasing the standard deduction, and doubling the retirement income exemption to \$12,000.

[H.B. 2](#) introduces several changes to the corporate income tax laws, including establishing a flat 5.5% corporate income tax rate to replace the graduated schedule of rates. H.B. 2 authorizes taxpayers to elect bonus depreciation for qualified property and qualified improvement property placed in service on or after January 1, 2025, as well as amortization deductions for research expenditures paid or incurred on or after January 1, 2025. H.B. 2 also repeals apportionment provisions relating to sourcing of property in United States customs-bonded warehouses or foreign trade zones. These changes are effective for tax years beginning on or after January 1, 2025.

[H.B. 3](#) repeals the corporate franchise tax, effective for franchise tax periods beginning on or after January 1, 2026. The bill also limits the eligibility of certain credits to be claimed against the corporate franchise tax.

Sales and use tax provisions

[H.B. 8](#) expands the sales and use tax base to include digital products, effective January 1, 2025. These provisions include imposing sales and use tax on digital audiovisual works, digital audio works, digital books, and other digital products.

H.B. 8 also provides exemptions for digital products used exclusively for commercial purposes, by FDIC-insured financial institutions, and by licensed healthcare facilities for specific purposes. H.B. 10 approved a sales tax increase from 4.45% to 5% for five years starting July 1, 2025, with a subsequent decrease to 4.75% in 2030.

Additional tax credit and incentive changes

The following changes to tax credits and incentives were enacted:

- Inventory Tax Credit: Disallows the credit for corporate taxpayers for tax years beginning on or after July 1, 2026, while extending the carryforward period for an additional five years.
- Motion Picture Production Credit: Decreases the annual cap for the application and claiming of credits to \$125 million and prohibits rollover of unused cap amounts for tax credits granted after July 1, 2025.
- Research and Development Tax Credit: Limits the annual claims to \$12 million starting July 1, 2026, and establishes a first-come, first-serve basis for claims.
- Historic Structures Rehabilitation Credit: Reduces the annual application cap from \$125 million to \$85 million.
- Angel Investor Tax Credit: Accelerates the termination date for granting credits from July 1, 2030, to June 30, 2025.
- Sound Recording Production Credit: Prohibits credits for applications received on or after July 1, 2025.
- Enterprise Zone Program: Changes the deadline for accepting new advance notifications from July 1, 2026, to July 1, 2025.

H.B. 2 also repeals certain tax rebates, exemptions, and credits effective January 1, 2025, and H.B. 3 further removes the applicability of certain incentives against the corporate franchise tax.

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