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The Louisiana Legislature recently passed a package of tax overhaul bills, some of which, took effect as early as January 1, 2025. While others are contingent on passage of a proposed Constitutional Amendment that will be on the ballot on March 29, 2025.

Individual Income Tax - effective January 1, 2025 (for tax year 2025)

- Replace the current three-tier rate system and its top rate of 4.25% with a flat 3% rate
- Increase the standard deduction
- Retirement income exemption will double to \$12,000 from \$6,000, per person
- Repeal the net capital gains deduction

Sales and Use Tax Rate - effective January 1, 2025

- Raise the state sales and use tax rate to 5% from 4.45% effective January 1, 2025
- And then on January 1, 2030 decreases to 4.75%

Corporate Income Tax - effective January 1, 2025

- Replace the current three-tier rate system and its top rate of 7.5% with a flat 5.5%
- Adopt 100% bonus depreciation for most business assets
- Provides for a special standard business deduction of \$20,000 annually

It is expected that business income reported on individual income tax returns via flow-through from partnerships or LLCs will still bear a lower income tax rate than business income reported by entities taxed as corporations.

Corporate Franchise Tax - effective January 1, 2026

- Repeal the corporate franchise tax
- Notes: Calendar year taxpayers will pay corporate franchise tax just one more time when paying 2025 franchise tax liabilities based upon December 31, 2024 balance sheets or 2024 property values

Credits and Incentives

- A long list of tax credits and incentives will begin to sunset
- Legislation to eliminate new credits and incentives is not intended to deny taxpayers the utilization of existing credits, utilization may now take longer due to lower tax rates

Sales and Use Tax on Digital Products - effective January 1, 2025

- Levy sales and use tax on a long list of digital goods (e.g., digital audiovisual works, digital books, digital games, digital periodicals, etc.) not presently taxed
- Specifically excluded digital products are also listed (e.g., certain telecommunication services and internet access charges)

Initiatives that were Substantially Modified

- Film credits will be subject to an annual \$125 million cap
- Historic credits will be subject to an annual \$85 million cap
- R&D credits were retained in a modified version
- Inventory tax credits
 - Parishes may opt out of requiring taxpayers to pay inventory tax
 - If inventory tax is not paid, the inventory tax credit will no longer be applicable for the taxpayer
 - However, if inventory tax is paid to parishes that do not opt out, qualifying taxpayers will continue to be eligible for the inventory tax credit