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.

Entities Subject to CAT or MCAT
•Partnerships
•Limited Liability Companies
•Limited Liability Partnerships
•Corporations
•S Corporations
•Joint Ventures
•Disregarded Entities

Entities Exempt from CAT or MCAT
•Non-profit organizations
•Governmental entities
•Certain financial institutions
•Certain insurance companies

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.

TAX FOR ENTITIES SUBJECT TO CORPORATION INCOME TAX		
Taxable Gross Receipts	MCAT	CAT
Less than $500,000	$250	No additional tax due
$500,000 to $1 Million	$500	No additional tax due
$1 Million to $1.5 Million	$750	No additional tax due
More than $1.5 Million		0.35% x Taxable Gross Receipts

A Minimum Commercial Activity Tax ("MCAT") ranging from $250 to $750 is assessed on corporations with gross receipts of $1.5 million or less based on the level of gross receipts received. Corporations with $1.5 million or less of taxable gross receipts do not have a separate CAT calculation.

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 Formula; or (3) the net corporate income tax ("CIT") due after the application of all credit carryforwards, nonrefundable credits, and refundable credits. The CAT Formula will serve as an alternative minimum tax to the CIT and the total amount due will be based on a percentage of the difference between the CIT and the CAT.

For all pass through entities not subject to the corporation income tax, the amount due is the MCAT.

TAX FOR PASS THROUGH ENTITIES		
Taxable Gross Receipts	**MCAT**	**CAT**
Less than $500,000	$250	No additional tax due
$500,000 to $1 Million	$500	No additional tax due
$1 Million to $1.5 Million	$750	No additional tax due
$1.5 Million to $3 Million	$1,500	No additional tax due
$3 Million to $6 Million	$3,250	No additional tax due
$6 Million to $12 Million	$6,500	No additional tax due
More than $12 Million	$12,500	No additional tax due