

Office of the Governor
State of Louisiana

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GOVERNOR



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June 27, 2023

VIA HAND DELIVERY

Honorable Page Cortez
Louisiana Senate President
Louisiana State Senate
Post Office Box 94183
Baton Rouge, LA 70804

RE: Veto of Senate Bill 1 of the 2023 Regular Session

Dear President Cortez:

Senate Bill 1 by Chairman Allain presents another path toward the elimination of Louisiana's franchise tax on corporations and other businesses taxed as corporations.

There is little doubt among tax experts that this tax is antiquated and should be structurally reformed or repealed. In 2021, Chairman Allain led an effort to reform Louisiana's tax code resulting in true tax reform that reduced corporate and individual income tax rates, uncoupled Louisiana's income tax from federal income tax, exempted corporations with less than \$300,000 of taxable capital from the franchise tax, and enacted a tax reduction trigger for franchise tax and individual income tax.

The extent of fiscal impacts from these changes will not be known, however, until December 2023 or early 2024, following the new automatic filing extension of November 15, 2023, for 2022 income taxes. With many moving and intertwined pieces, it is unwise to create a second franchise tax reduction trigger at this time. The phase out and ultimate elimination of the franchise tax will require future policymakers to reconcile the inherent reduction to the corporate income tax due to the portability of these hundreds of millions of available tax credits. Those policymakers must also address the sunset of the 0.45% sales tax; the return of previously suspended sales tax exemptions; and existing and new dedications of certain taxes to the Transportation Trust Fund and Revenue Stabilization Trust Fund.

Over the last eight years, my Administration has worked to grow and diversify the economy while ensuring historic investments in our people, our children, our roads and bridges, our

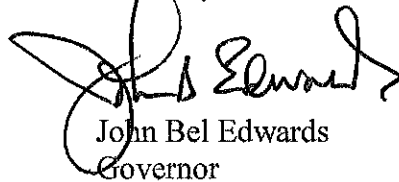
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coastline, and more. There is nearly \$2 billion in protected savings accounts and financial stability across state government. This legacy allows my successor to continue our progress, with a new perspective and fresh start, and affords a unique opportunity to propel Louisiana forward.

The next fiscal session is scheduled in early 2025, and while I leave Louisiana's finances in a far more positive light than I found them, there is more work to be done and careful decisions to be made by the next administration and legislature in anticipation of Fiscal Year 2026. I applaud Chairman Allain's efforts in 2021 and this past legislative session in championing necessary reforms to our tax system, and I invite the next Administration and Legislature to continue moving forward in reforming, modernizing, and improving Louisiana's tax laws.

For these reasons, I have vetoed Senate Bill 1 and return it to the Senate.

Sincerely,

A handwritten signature in black ink, appearing to read "John Bel Edwards". The signature is stylized with a large, sweeping initial "J" and a long, horizontal flourish extending to the right.

John Bel Edwards
Governor

enclosure

cc: Honorable Clay Schexnayder
Speaker of the House of Representatives