

Louisiana Franchise Tax Phase-Out Vetoed by Governor

Article By:

Jesse (Jay) Adams

Andre Burvant

Cami J. Fergus

Louisiana Senate Bill 1 of the 2023 Regular Session, which provides for a phase-out of the Louisiana corporation franchise tax, has been vetoed by Governor Edwards. [SB 1 by Senator Allain would have reduced the franchise tax by 25% per year](#), provided certain benchmarks for deposits into the Revenue Stabilization Trust Fund were met until the franchise tax is reduced to 0%.

In addition to the franchise tax rate reduction provided in SB 1, La. R.S. 47:601.2, which was enacted in 2021, provides for additional franchise tax rate reductions in the event certain “triggers” are met. The rate reductions provided in SB 1 and La. R.S. 47:601.2 would have worked in tandem,

[SB 6 of the 2023 Regular Session also passed by the Legislature](#) and was enacted to help pay for the phase-out of the franchise tax by reducing the sales tax and project facility rebates in the Quality Jobs (“QJ”) program by 50% of any percentage reduction in the franchise tax rate, whether such reduction is required by SB 1 or La. R.S. 47:601.2, or other future franchise tax reduction measures. If the franchise tax is repealed, the QJ rebates will be reduced by 50%.

Although SB 6 was *not vetoed* and will become effective January 1, 2024, its impact will be curtailed without the enactment of the franchise tax reductions in SB 1.

In a [veto message directed to the Legislature, the governor stated that his veto of SB 1 was based on the uncertainty of the impact that the phase-out would have on revenues when coupled with other recent tax reform](#). The governor is seemingly of the opinion that the franchise tax should be reformed or repealed, referring to the franchise tax as “antiquated.” However, the governor pointed to the other reforms to the Louisiana tax code that were enacted in 2021, including reductions to the corporate and individual income tax rates, as well as the franchise tax rate reductions provided in La. R.S. 47:601.2, and noted that the extent of the fiscal impact from these changes will not be known until after 2022 tax filings and collections are received and analyzed, in either late 2023 or early 2024. Therefore, the governor felt that, “it is unwise to create a second franchise tax reduction trigger at this time.”

The governor also called on future policymakers to reconcile the elimination of the franchise tax with

recent reductions to the corporate income tax, as well as 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.

It is possible that SB 1 could still be passed by the Legislature via a veto session or revived in a future session. As explained above, because SB 6 will become law, it could be triggered by future franchise tax reductions that ultimately go into effect.

© 2025 Jones Walker LLP

National Law Review, Volume XIII, Number 181

Source URL: <https://natlawreview.com/article/louisiana-franchise-tax-phase-out-vetoed-governor>