



Louisiana

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
40	29	33	48	16	9

Louisiana’s tax code is a national outlier, with one of the most complicated sales tax regimes and a long list of unusual and uncompetitive taxes and tax provisions, like inventory taxes and a capital stock (franchise) tax. Individual taxpayers are subject to three tax brackets and a competitive top marginal rate of 4.25 percent. However, the individual income tax code is not indexed for inflation, which means Louisiana taxpayers are subject to bracket creep (i.e., when inflation pushes a taxpayer from a lower bracket to a higher one when nominal income rises, but due to inflation, real income does not, or may even decline). Moreover, unlike other states with an individual income tax, Louisiana does not currently recognize S corporation status, requiring these entities to file taxes as C corporations rather than enjoying the pass-through status accorded to them in other states.

Businesses are subject to a franchise tax on their net worth (or accumulated wealth), which penalizes investment and is imposed regardless of profitability. Louisiana does not cap maximum payments for these taxes, making an already uncompetitive tax even more detrimental. Louisiana also taxes business inventory, which, like the capital stock tax, is imposed regardless of business profitability. These taxes are nonneutral, disproportionately affecting those businesses with larger inventories and causing taxpayers to make inefficient timing and location decisions with their inventory.

Like the state’s individual tax code, the corporate tax rates are not indexed for inflation. However, Louisiana repealed its inefficient throwout rule, which previously taxed “nowhere income” in the state from which sales were made when the seller lacked sufficient nexus to be taxed in the destination state. This previously led to taxation in the wrong state at the wrong rate.

Perhaps most notably, Louisiana is highly unusual in lacking central collections and administration of its sales tax. The state has made progress with an alternative remote sellers regime, but parishes’ and other jurisdictions’ ability to define their own tax bases and to administer the taxes separately from the state imposes high compliance costs.