



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 402** HLS 25RS 872
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 2, 2025	3:45 PM	Author: KNOX
Dept./Agy.: Department of Revenue / Department of Veteran Affairs		Analyst: Noah O'Dell
Subject: Income Tax Deduction: 65+ and Veterans with Disabilities		

TAX/INCOME TAX OR -\$83,800,000 GF RV See Note Page 1 of 1
 Authorizes income tax deductions for taxpayers sixty-five years of age and older and veterans with certain disabilities

Current law authorizes a standard deduction for resident taxpayers when filing individual income tax returns equal to \$12,500 for single filers. Beginning Jan. 1, 2026, the amount of the standard deduction shall be adjusting according to the Consumer Price Index US city average for all urban consumers (CPI-U) as reported by the Bureau of Labor Statistics, the previous year. Current law authorizes a \$6,000 exemption for individuals with a permanent total disability.

Proposed law provides for an additional standard deduction for each resident 65 years of age and older and an additional standard deduction for each resident who is a veteran and has a service-connected disability rating of 50%+ by the US Dept. of Veteran Affairs; both in the amount equal to the standard deduction applicable for single filers. Taxpayers claiming the deduction are required to maintain records necessary to verify eligibility and, if requested, provide the records to the Department of Revenue (LDR). Effective Jan. 1, 2026 and applicable to tax years beginning on or after Jan. 1, 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$52,270	\$0	\$0	\$0	\$52,270
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$52,270	\$0	\$0	\$0	\$52,270

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$83,800,000)	(\$85,200,000)	(\$86,400,000)	(\$87,800,000)	(\$343,200,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	(\$83,800,000)	(\$85,200,000)	(\$86,400,000)	(\$87,800,000)	(\$343,200,000)

EXPENDITURE EXPLANATION

The bill is anticipated to increase \$52,270 SGR within the Department of Revenue in FY27 related to computer system development, modification, and testing. The department reports the ability to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The revenue table above shows the estimated SGF revenue loss associated with the additional deductions for (1) taxpayers 65+ and (2) veterans with certain service-connected disabilities.

(1) The bill allows taxpayers aged 65+ to take a deduction in tax year 2026 equal to that of the standard deduction of a single filer (currently \$12,500 + annual inflation) in addition to the standard deduction and, if applicable, a retirement income exemption of \$12,000. Assuming that 65+ filers have income to take advantage of the exemption in the bill, the 65+ income tax deduction growing by inflation is **estimated to decrease SGF revenue by \$72.5M in FY27, \$73.7M in FY28, \$74.8M in FY29, and \$76M in FY30.** The estimate is from a micro-simulation personal income tax model updated with 2022 LA tax return filing data with parameters set to the new taxing regime.

(2) The bill allows resident veterans with a service-connected disability rating of 50% or more by the US Dept. of Veteran Affairs to take a deduction in tax year 2026 equal to that of the standard deduction of a single filer (currently \$12,500 + annual inflation) in addition to the standard deduction and in some cases the permanent total disability exemption of \$6,000, 65+ deduction and retirement income exemption. Data on the exact tax liability of the disabled veterans that are eligible for the deduction provided in the bill is unavailable. The LA Dept. of Veteran Affairs reports 59,113 veterans meet the disability rating specified in the bill. Assuming these individuals have income to take advantage of the deduction in the bill and the percentage of affected individuals is similar in nature to the 65+ exemption, this deduction growing by inflation is **estimated to decrease SGF revenue by \$11.3M in FY27, \$11.5M in FY28, \$11.6M in FY29, and \$11.8M in FY30.**

Note: This reduction will also reduce 1% of income tax collections retained and normally reverted by LDR as SGF; if not reverted, it would become an SGR reduction.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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