LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 645** HLS 25RS 1175
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 7, 2025 5:45 PM
Author: WYBLE
Dept./Agy.: Department of Revenue
Subject: Individual Income Tax:Reduces Rate & Increases Deductions
Analyst: Noah O'Dell

TAX/INCOME TAX OR DECREASE GF RV See Note

Reduces the rate of the tax levied on the net income of individuals and increases the amount of the standard deduction for all filers

Current law authorizes a 3% income tax rate on an individual's taxable income. Current law authorizes a standard deduction for resident taxpayers when filing individual income tax returns equal to $12,500 for single filers and $25,000 for joint filers (including Qualified Surviving Spouse and Head of Household). Beginning Jan. 1, 2026, the amount of the standard deduction shall be adjusted according to the Consumer Price Index US city average for all urban consumers (CPI-U) as reported by the US Dept. of Labor, Bureau of Labor Statistics, for the previous calendar year.

Proposed law decreases the income tax rate to 2% of an individual's taxable income in 2027 and 1.75% beginning in 2028. Proposed law increases the standard deduction to $25,000 single filers / $50,000 joint filers in 2027 and $50,000 single filers / $100,000 joint filers in 2028. Each year thereafter the standard deduction shall be adjusted according to the CPI-U as reported by the US Dept. of Labor, Bureau of Labor Statistics, for the previous calendar year. Effective 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	$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**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	**($313,000,000)**	**($1,923,700,000)**	**($2,251,900,000)**	**($2,095,900,000)**	**($6,584,500,000)**
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**	**($313,000,000)**	**($1,923,700,000)**	**($2,251,900,000)**	**($2,095,900,000)**	**($6,584,500,000)**

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 bill is estimated to decrease SGF revenue by approximately $313M in FY27, $1.9B in FY28, $2.3B in FY29, and $2.1B in FY30. The measure reduces the individual income tax rate to 2% beginning in tax year 2027 and 1.75% in tax year 2028 and beyond. In addition, the measure doubles the size of the standard deduction in 2027 to $25,000/$50,000 and doubles again in 2028 to $50,000/$100,000. Each year thereafter, the standard deduction grows by the CPI-U in the previous year.

It is assumed each decrease in the rate and increase in the deduction will take three fiscal years to fully take effect. In the first fiscal year of effectiveness, the tax receipts are affected through withholdings changes assuming a one-quarter lag for discernible impact. Receipts in the second fiscal year of effectiveness increase due to four quarters of withholdings, plus the catch-up of the first tax year's quarterly liability change when returns are filed, plus the amount of liability change typically realized on returns rather than through withholdings. The third year of effectiveness for each change represents a full realization of the tax changes.

No growth path has been assumed for purposes of the fiscal note, nor has an inflationary path been incorporated into the standard deduction tied to CPI-U in current law and the out-years of the proposed law. An increase in the standard deduction for single filers may increase other deductions that could be referencing it, such as the proposed 65+ deduction in other instruments being considered this session. This impact is not contemplated in the figures above.

Note: A portion of the SGF impact may originate as the LDR retention of 1% of income collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

Senate / Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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