LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 333** HLS 25RS 883
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 7, 2025 5:47 PM
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Dept./Agy.: Department of Revenue
Subject: Incrementally Decreasing the Individual Income Tax
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TAX/INCOME TAX OR DECREASE GF RV See Note

Reduces the rate of individual income tax incrementally over a period of time before ultimately eliminating the tax

Current law provides for a flat tax rate of 3% to be paid on taxable income of an individual.

Proposed law reduces the individual income tax rate by 0.2% each year until 2040, when no tax will be collected on net income. Proposed law otherwise retains current law.

Effective for tax years beginning 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.	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	
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						

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**($43,600,000)**	**($291,900,000)**	**($492,500,000)**	**($693,100,000)**	**($893,700,000)**	**($2,414,800,000)**
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	**($43,600,000)**	**($291,900,000)**	**($492,500,000)**	**($693,100,000)**	**($893,700,000)**	**($2,414,800,000)**

EXPENDITURE EXPLANATION

LDR is anticipated to incur one-time expenditures for minor system design updates, testing, and system development in support of tax return modifications. LFO believes the department is able 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 anticipated to decrease state general fund revenue each year beginning with withholdings FY26 due to lower income tax collections associated with the lower individual income tax (IIT) rates, respectively 2.8% in tax year 2026, 2.6% in tax year 2027, 2.4% in tax year 2028, 2.2% in tax year 2029, and 2% in tax year 2030. The bill continues to decrease IIT rates outside of the fiscal note window by 0.2% until 2040, when the IIT rate will go to zero.

	FY26	FY27	FY 28	FY 29	FY 30
2.8% IIT	($43.6 M)	($248.3 M)	($200.6 M)	($200.6 M)	($200.6 M)
2.6% IIT		($43.6 M)	($248.3 M)	($200.6 M)	($200.6 M)
2.4% IIT			($43.6 M)	($248.3 M)	($200.6 M)
2.2% IIT				($43.6 M)	($248.3 M)
2% IIT					($43.6 M)
Total	**($43.6 M)**	**($291.9 M)**	**($492.5 M)**	**($693.1 M)**	**($893.7 M)**

This estimate is generated by a micro-simulation model processing the 2022 resident and nonresident individual income tax return data. The tax year liability change estimate is translated to fiscal year receipt estimates, reflected in the revenue table above. Each reduction in the IIT takes three years to play out, so a stacking effect of the changes takes place. The first fiscal year of each effect will be with tax receipts affected through withholdings changes assuming a one-quarter lag for discernible impact. Receipts for the second fiscal year, will decrease due to four quarters of withholdings, plus the catch-up of the first tax year's first quarter liability change when returns are filed, plus the amount of liability change typically realized on returns rather than through withholdings. The first tax year changes fully transition to fiscal year realizations by the third fiscal year, with tax table liability changes equal to fiscal year collections 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.

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}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}
- [ ] 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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