LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 127** HLS 25RS 312
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 12, 2025 10:54 PM **Author:** TARVER, PHILLIP
Dept./Agy.: Department of Revenue
Subject: Income Tax: Deduction for Certain Savings Accounts **Analyst:** Noah O'Dell

TAX/INCOME TAX EG DECREASE GF RV See Note
Establishes an individual income tax deduction for contributions made into certain deductible savings accounts

Proposed law authorizes an individual income tax deduction for contributions to and interest earned on a savings or money market account made for qualified expenses or qualified deductibles for a primary residence. Qualified expenses are defined as expenses to retrofit the residence's roof to the fortified roof building standard and expenses to supplement additional living expense coverage. Qualified deductibles means the home insurance policy deductible(s) covering damage to the primary residence. Eligible contributions are generally capped at the lesser of $25,000 or double the deductible amount(s) for policy holders. Taxpayers are limited to a single deduction associated with a specified and labeled deductible savings account. Unqualified distributions from the savings account shall be included in the taxpayers taxable income. If a taxpayer makes an eligible distribution from the account, no further contributions to the account may be made during that tax year. Contributions above deposit limits or for purposes other than designated are taxable as income but all interest remains eligible for the state deduction. The Dept. of Revenue (LDR) may promulgate rules. Applicable to 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.	$0	**$146,067**	**$96,116**	**$99,000**	**$101,970**	**$443,153**
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**	**$146,067**	**$96,116**	**$99,000**	**$101,970**	**$443,153**

REVENUES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**$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**

EXPENDITURE EXPLANATION
The bill is anticipated to increase $146,067 SGR* and one (1) T.O. in the Department of Revenue (LDR) in FY27. One time costs of $52,750 are expected in FY27 related to computer system development, modification, and testing. LDR reports one Revenue Tax Specialist 1 with salary and related benefits of $93,317 will be necessary beginning in FY27 to review and process returns claiming the proposed deduction. 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 allows for a deduction for contributions to and interest earned on savings accounts made for qualified expenses (retrofitting a roof to certain standards and certain living expenses) and deductibles to homeowners covering a taxpayers primary residence, which the taxpayer claims the homestead exemption. The eligible contributions are generally limited to approximately double the deductible(s) for insurance policy holders up to $25,000.

The savings account holder must specify the purpose of the account is to pay qualified expenses and qualified deductibles and label the account accordingly. It is unclear how far in advance the account designation is required to occur prior to any eligible expenses. Presumably LDR would specify the designation timing and the exact method for doing so during the rulemaking process. Except as otherwise provided for by federal law or federal regulation, the account is excluded from attachment, levy, garnishment, or legal process in the state, which may provide an unintended safe harbor against delinquent tax or other collections.

LFO has no information or method that can reliably estimate the exposure to state general fund revenue due to the bill. Applying a rate of 3%, a taxpayer making a maximum contribution of $2,000, $4,000, or $25,000 would see an income tax reduction of $60, $120, or $750 respectively, excluding any interest earnings. Aggregate eligible participation is indeterminable, as is participation for any given year. To the extent homeowners contribute to the accounts, state general fund revenue* will be reduced beginning in FY27 by an indeterminable, but possibly quite significant, amount.

For informational purposes, in a scenario where 1 million of the approximately 1.17 million homestead residential properties in the state contributed to deductible savings accounts, and 4% of the homeowners utilized a $25,000 option, 48% utilized a $4,000 option, and 48% utilized a $2,000 option, spread evenly over three years at a PIT of 3%, would result in a revenue reduction of approximately $38.8M each year, or approximately $116.4M total. This estimate excludes any interest earnings deducted. LFO has no information on the likelihood of this scenario; it is provided as an illustration only.

* The impact may originate as the revenues or expenditures of the LDR retention of 1% of income tax collections initially classified as SGR but ultimately unspent SGR is reverted to the SGF for use in the budget.

Senate — Dual Referral Rules

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}

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

House

[x] 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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