



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 633** HLS 26RS 1015  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

**Date:** March 20, 2026 1:36 PM **Author:** BACALA  
**Dept./Agy.:** Department of Revenue **Analyst:** Noah O'Dell  
**Subject:** Estimate Tax Timelines, Penalty Calculations, and Exceptions

TAX RETURN EG INCREASE SG RV See Note Page 1 of 1  
 Modifies statutory timelines, penalty calculations, and exceptions for penalties for the payment of certain estimated taxes

Current law applies a 12% annual penalty on underpaid estimated individual and corporate income taxes and establishes certain filing and adjustment deadlines on the 15th day of the fourth month following the close of the taxable year. Current law provides for an annualized income calculation as one method for avoiding underpayment penalties for both individual and corporate filers.

Proposed law retains the 12% annual penalty but extends certain filing and adjustment deadlines to the 15th day of the 5th month following the close of the taxable year. Proposed law repeals the annualized income calculation as a basis for avoiding underpayment penalties for both individual and corporate filers, but preserves the corporate underpayment penalty exception for payments totaling at least 80% of the current year tax.

Effective upon signature of the governor and applicable to taxable periods beginning on or after January 1, 2026.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	<b>\$77,450</b>	\$0	\$0	\$0	\$0	<b>\$77,450</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$77,450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$77,450</b>

  

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	
Agy. Self-Gen.	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law is anticipated to increase \$77,450 SGR expenditures within the Department of Revenue (LDR) in FY 27 associated with one-time costs related to computer system development, modification, and testing. LDR must modify its system to adjust filing deadlines and penalty/interest calculations. LDR is anticipated to be able to absorb this amount within its current budget but may require additional resources depending on the aggregate impact of legislation enacted this session.

**REVENUE EXPLANATION**

Proposed law is anticipated to increase SGF and SGR associated with penalties collected by LDR beginning in FY 27. The bill extends the accrual period for underestimated penalties and excessive adjustment penalties by one month to align the deadline for penalties with the state filing deadline of May 15th. These penalties are assessed at an annual rate of 12% and apply to both individual and corporate filers. To the extent taxpayers utilize the additional month before settling tax liabilities, the resulting increase in penalty collections is expected to increase SGR within LDR. LDR reverts excess SGR to the SGF annually under the current budget mechanism, which is why the table above illustrates an increase in both SGR and SGF.

LFO anticipates the increase in penalties may likely exceed the \$500,000 dual-referral threshold, although the magnitude cannot be precisely estimated with available data. LDR reports \$4.9 M in underestimated tax penalties on individual filers were collected between 4/15/2025 and 6/30/2025. Of those collections, \$4 M were from 2024 tax year filers. If current payment patterns persist in future years, this information indicates that a substantial share of individual taxpayers who underestimate taxes will be affected by the additional month of penalty accrual and that a significant portion of underestimated penalties are from earlier tax years. No such information is readily available for corporate penalties because LDR indicates it has not historically assessed underestimated payment penalties or excessive adjustment penalties on corporate filers. The department intends to begin doing so starting January 1, 2026, following the repeal of the franchise tax.

The bill also repeals the annualized income calculation as a basis for avoiding individual and corporate underpayment penalties. This change is not anticipated to materially affect individual filers due to the flat individual income tax structure under current law. However, certain corporate taxpayers with uneven income throughout the taxable year may be adversely impacted as the bill (in its current posture) limits their ability to align estimated payments with the timing of income. To the extent such taxpayers are unable to satisfy the 80% safe harbor under the revised provisions, corporate underpayment penalties may increase by an indeterminable amount.

For informational purposes, underestimated payment penalties collected by LDR for individual income taxpayers totaled \$15.5 M in FY 25, \$15.1 M in FY 24, and \$12.9 M in FY 23.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 &gt;= \$100,000 Annual Fiscal Cost {S &amp; H}</p> <p><input checked="" type="checkbox"/> 13.5.2 &gt;= \$500,000 Annual Tax or Fee Change {S &amp; H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) &gt;= \$100,000 SGF Fiscal Cost {H &amp; S}</p> <p><input type="checkbox"/> 6.8(G) &gt;= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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**Alan M. Boxberger**  
 Legislative Fiscal Officer