

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 258** HLS 17RS 996
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 9, 2017 4:55 PM	Author: SHADOIN
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Income Tax - Federal Income Tax Deduction	

TAX/INCOME TAX OR SEE FISC NOTE Page 1 of 1
 (Constitutional Amendment) Eliminates the deduction for federal income taxes paid for purposes of calculating individual and corporate income tax

Present constitution requires that federal income taxes paid shall be allowed as a deductible item in computing state income taxes for both individuals and corporations.

Proposed constitutional amendment removes the requirement for this deduction for both individual and corporate income tax.

Applicable for all tax periods beginning on and after January 1, 2018.

To be submitted to the electors at the statewide election to be held on October 14, 2017.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. If adopted by the electorate, the bill only removes the requirement of a deduction for federal income taxes paid. It does not prohibit such a deduction, which is provided for in statute (R.S. 47:293(4) and 293(9)(a)(ii) and R.S. 47:55, 47:241, and 47:287.85). These statutory provisions are not affected by this bill. Thus, the bill by itself does not change tax liabilities. Should the deduction be removed from statute, the fiscal impact would be attributed to that measure, along with any other provisions such a measure may contain.

For information purposes, a micro-simulation model of the individual income tax processing 2015 tax return data indicates that elimination of the deduction for individual income tax (with no other tax changes) would increase annual aggregate state tax liabilities by some \$796 million.

Based on tax year simulations of corporate tax filers provided by the Dept. of Revenue, if the statutory federal taxes paid deduction were eliminated for corporate income tax (with no other tax changes), approximately \$160 million of additional annual corporate tax liability would occur.

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}

John D. Carpenter
Legislative Fiscal Officer