

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 350** HLS 17RS 986
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 9, 2017	5:28 PM	Author: LEGER
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Income Tax: Federal Income Tax Deduction/Rates		

TAX/INCOME TAX OR SEE FISC NOTE See Note Page 1 of 1
 (Constitutional Amendment) Provides relative to the rates and brackets for purposes of calculating individual income tax and repeals the deduction for federal income taxes paid for purposes of calculating individual and corporate income tax

Present constitution prohibits the individual income tax rates and brackets in statute from exceeding those on January 1, 2003, and 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 individual income tax rate and bracket prohibition and the requirement for a deduction of federal income taxes paid for both individual and corporate income tax computation. 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	SEE BELOW	SEE BELOW	SEE BELOW	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 individual income tax rate and bracket prohibition and the requirement of a deduction for federal income taxes paid for individual and corporate income tax. It does not establish rates and brackets different from those currently provided in statute (R.S. 47:32(A)) nor prohibit a federal tax deduction, also provided for in current statute (R.S. 47:293(4) and 293(9)(a)(ii) and R.S. 47:55, 47:241, and 47:287.85). Should the current rate and bracket structure be changed and/or the federal tax deduction be removed from statute, the fiscal impact would be attributed to those measures, along with any other provisions such measures 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 rate/bracket or other tax changes) would increase annual aggregate state individual income 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