

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 284** HLS 17RS 990

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: May 5, 2017	6:21 PM	Author: SHADOIN
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Individual Income Tax Rates		

TAX/INCOME TAX OR -\$22,650,000 GF RV See Note
Reduces rates of the tax levied on individual income tax

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Present law imposes an individual income tax with a graduated rate and bracket structure. Single filers are subject to tax of 2% on the first \$12,500 of taxable income, 4% between \$12,500 and \$25,000, and 6% over \$25,000. For joint filers the taxable income amounts are doubled.

Proposed law reduces each of those tax rates by one percentage point, to 1%, 3%, and 5%.

Applicable to all tax periods beginning on and after January 1, 2018, and contingent upon effectiveness of HB___ of this session; a constitutional amendment to be submitted to the electors at a statewide election.

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.	(\$22,650,000)	(\$45,300,000)	(\$45,300,000)	(\$45,300,000)	(\$45,300,000)	(\$203,850,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$22,650,000)	(\$45,300,000)	(\$45,300,000)	(\$45,300,000)	(\$45,300,000)	(\$203,850,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue estimates that tax system programming modifications (paper and online filing), revision and promulgation of withholding tables, and testing will involve some \$51,000 of staff costs. Additional resources may be required by the department dependent upon the cumulative amount of changes enacted in the session.

REVENUE EXPLANATION

This fiscal note assumes the adoption of a constitutional amendment which eliminates the requirement for a deduction for federal income taxes paid, and on the enactment of a statutory bill that removes the deduction from the individual income tax statutes.

The effect of the bill's tax rate reductions was estimated utilizing an individual income tax micro-simulation model processing actual 2015 La tax return data. The results of that simulation was an an estimated \$45.3 million reduction in aggregate annual tax liabilities (residents and non-residents).

The bill is effective for tax year 2018 and the Dept. of Revenue will likely have adjusted withholding tables implemented for use at the outset of the tax year. Thus, revenue losses will occur in the second half of FY18. To the extent withholdings are able to account for the full effect of the bill, revenue losses in FY18 will approximate one-half of the annual tax year total, or \$22.650 million. After that, revenue losses should stabilize toward full annual amounts. During FY19, a full year of revenue losses will occur through withholding declines for the second half of tax year 2018 (the first half of FY19) and the first half of tax year 2019 (the second half of FY19).

Senate
 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