



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 359** HLS 17RS 409
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 15, 2017 5:11 PM	Author: IVEY
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Individual Income Tax	

TAX/INCOME TAX EG INCREASE GF RV See Note Page 1 of 1
 Provides for a flat tax rate for purposes of calculating individual income tax, increases the amount of the earned income tax credit, and modifies other income tax credits and deductions

Proposed law levies a single tax rate of 3% or 4%, repeals all personal/standard deductions, modifies the state excess federal itemized deduction to account for only charitable contributions and allows the deduction for excess greater than \$12,500 for single filers and \$25,000 for joint filers, and doubles the state earned income tax credit.

Applicable to all tax periods beginning on and after January 1, 2018. The 3% single tax rate is contingent upon adoption of a constitutional amendment proposed in an unspecified House bill of this session. Otherwise, the 4% single rate is effective. Contingent upon adoption of a constitutional amendment proposed in House Bill 356 of this session, and enactment of House Bills 357, 358, 360, 361, 362, 363, and 364 of this session.

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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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

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 \$41,000 of staff costs. Additional resources may be required by the department dependent upon the cumulative amount of changes enacted in the session.

REVENUE EXPLANATION

The fiscal note assumes that this bill contemplates adoption of a constitutional amendment requiring a single tax rate and eliminating the deduction for federal income taxes paid.

To the extent possible, the effect of the bill's proposals were estimated utilizing an individual income tax micro-simulation model processing actual 2015 La tax return data. The bill results in an estimated \$212 million increase in annual tax liabilities at the 3% single tax rate and the federal income tax deduction eliminated, and an estimated \$671 million increase in annual tax liabilities at the 4% single tax rate without the federal income tax deduction eliminated. All other modifications proposed by the bill are the same between these two scenarios.

There is some uncertainty with these simulation results in that the proposed modifications to the excess federal itemized deduction are not fully accounted for. The bill appears to limit the deduction to the amount of charitable contributions over the federal standard deduction; a threshold relatively few tax filers will meet, and not accounted for in the simulation. In addition, the Dept. indicates some ambiguity regarding the personal/standard deductions provided by the bill. The simulations eliminated all such deductions except for the blind and 65 or older tax filers.

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 gains will likely occur in the second half of FY18. To the extent withholdings are able to account for the full effect of the bill, revenue gains in FY18 will approximate one-half of the annual tax year totals estimated above. After that, revenue gains should stabilize toward full annual amounts. During FY19, a full year of revenue gain will occur through withholding increases 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 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}

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 Legislative Fiscal Officer