

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



Fiscal Note On: **SB 2** SLS 181ES 25  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|  |                               |
|--|-------------------------------|
| <b>Date:</b> February 19, 2018 6:54 PM                                 | <b>Author:</b> MORRELL        |
| <b>Dept./Agy.:</b> Revenue   | <b>Analyst:</b> Greg Albrecht |
| <b>Subject:</b> Personal Income Tax - Federal Disaster Relief Windfall |                               |

TAX/INCOME/PERSONAL OR DECREASE GF RV See Note Page 1 of 1  
 Authorizes an adjustment to the federal income tax deduction for certain net disaster losses.(Item # 9)(gov sig)

Present law allows taxpayers to deduct the amount of their federal income tax when computing their LA taxable income.

Proposed law provides that the federal income tax deduction is not to be reduced by the amount of any federal income tax decrease from claiming the federal standard deduction or federal itemized deduction for certain net disaster losses as provided by Section 11028 of United States Public Law 115-97.

Effective for tax years beginning on January 1, 2016 but before January 1, 2018; tax years 2016 and 2017.

Effective upon governor's signature.

| <b>EXPENDITURES</b> | <b>2018-19</b> | <b>2019-20</b> | <b>2020-21</b> | <b>2021-22</b> | <b>2022-23</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

  

| <b>REVENUES</b>     | <b>2018-19</b> | <b>2019-20</b> | <b>2020-21</b> | <b>2021-22</b> | <b>2022-23</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | DECREASE       | DECREASE       | DECREASE       | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <b>\$0</b>           |
| <b>Annual Total</b> |                |                |                | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

The federal tax deduction works to reduce LA taxable income and consequently LA income tax liability. Federal disaster tax relief works to reduce the federal tax deduction taxpayers could claim on their state income tax returns. This increases their state taxable income and consequently their state income tax liability. This bill precludes that from happening and holds federal tax liabilities, LA taxable income, and LA tax liabilities to levels that would otherwise occur had no federal disaster tax relief been received.

Prospectively, it does not seem reasonable to presume that the official revenue forecasts incorporate an expectation of receiving revenue as the result of disaster events, and the anticipated future State revenue baseline would be considered unaffected by a bill such as this.

However, this bill has retroactive application to tax years 2016 and 2017, affecting returns that have already been filed and may be filed prior to passage of this bill. Thus, to the extent taxpayers take advantage of this provision through amended returns, refunds of tax receipts already received would occur and state revenue losses from the existing baseline would be realized.

The potential revenue effect of the bill is unknown, although the Dept. of Revenue is attempting to review the experience in the post-Katrina/Rita period when a similar state hold-harmless provision was enacted to assess taxpayer participation. The results of that review have not been reported.

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**