
DIGEST

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HB 278 Original

2021 Regular Session

Bishop

Abstract: Reduces the rates for purposes of calculating individual income tax liability, eliminates the deduction for federal income taxes paid for individuals, and limits the deduction for excess federal itemized personal deductions to certain medical care expenses.

Present law provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at the following rates:

- (1) 2% on the first \$12,500 of net income.
- (2) 4% on the next \$37,500 of net income.
- (3) 6% on net income in excess of \$50,000.

Proposed law reduces individual income tax rates as follows:

- (1) From 2% on the first \$12,500 of net income to 1.85% on the first \$12,500 of net income.
- (2) From 4% on the next \$37,500 of net income to 3.51% on the next \$37,500 of net income.
- (3) From 6% on net income in excess of \$50,000 to 4.25% on net income in excess of \$50,000.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. The term "excess federal itemized personal deductions" is defined to mean the amount by which the federal itemized personal deductions exceed the amount of the federal standard deduction designated for the filing status used for the taxable period on the individual income tax return.

Proposed law changes present law to limit the expenses eligible to be claimed on a state return to expenses for medical care used by the taxpayer in the calculation of federal taxable income that exceed the amount of the federal standard deduction.

Proposed law defines the term "expenses for medical care" to have the meaning ascribed to it in federal law.

Present constitution and present law authorize a mandatory state deduction for federal income taxes paid for purposes of computing income taxes for the same period.

Proposed law repeals the present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating income taxes.

Present law requires the secretary to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that does not exceed \$250. Further requires the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemption deductions in present law which is deducted from the 2% bracket. If the combined exemptions and deductions exceed the 2% bracket, the excess is deducted from the 4% bracket, and then the 6% bracket.

Proposed law changes present law by authorizing the combined personal exemption, standard deduction, and other exemption deductions to be deducted from the lowest income tax bracket. If the combined exemptions and deductions exceed the lowest bracket, the excess is deducted from the next lowest bracket.

Proposed law is applicable to taxable periods beginning on or after Jan. 1, 2023.

Effective on Jan. 1, 2023, if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ___ of this 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 293(3) and (10), 295(B) and 296.1(B)(3)(c) and (d); Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(e), and 298)