



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 543** HLS 21RS 930
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 19, 2021 7:14 PM	Author: DEVILLIER
Dept./Agy.: Revenue / Local Ad Valorem Tax Collectors	Analyst: Greg Albrecht
Subject: Income and Franchise Tax	

TAX/STATE OR DECREASE GF RV See Note Page 1 of 1
 Repeals individual income, corporate income, and corporate franchise taxes and repeals all credits, deductions, exemptions, and exclusions from the tax

Proposed law repeals the individual income tax, the corporate income tax, and the franchise tax, as well as the deductions, exemptions, exclusions, and credits applicable to these taxes.

Effective or tax years beginning on and after January 1, 2023.

Contingent upon adoption of the constitutional amendment contained in HB # of this session.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$871,000,000)	(\$4,800,000,000)	(\$4,500,000,000)	(\$4,500,000,000)	(\$14,671,000,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	(\$871,000,000)	(\$4,800,000,000)	(\$4,500,000,000)	(\$4,500,000,000)	?

EXPENDITURE EXPLANATION

Administrative expenses to transition out of the individual and corporate income taxes have not been determined.

REVENUE EXPLANATION

A rough guide to the amount of tax that would ultimately be foregone as result of this bill is reflected in the Revenue Estimating Conference (REC) forecasts of approximately \$4 billion per fiscal year of individual income tax collections (\$3.977 billion for FY23, \$4.079 billion for FY24, and \$4.069 billion for FY25), and approximately \$500 million per fiscal year of corporate income and franchise tax collections (\$454 million for FY23, \$482 million for FY24, and \$508 million for FY25). These are fiscal year forecasts that reflect multiple tax years of returns in each fiscal year, although the bill eliminates these taxes with the single tax year of 2023. The bill also appears to eliminate the credits applicable to these taxes, and in that sense appears to reduce net collections as contained in the REC forecasts above, rather than gross collections with credits migrating to other taxes.

Specific estimates of the annual revenue losses from the repeal of these taxes is complicated by the fact that realization of income tax year changes typically occur over a three fiscal year period of transition. The first tax year of elimination would result in fiscal year revenue losses beginning in FY23 from the drop in withholdings collections, quarterly declarations of corporate income tax, and timely filings of franchise tax returns during the first half of 2023 (the second half of FY23). Revenue losses would accumulate in subsequent fiscal years, until realizations of the repeal of the three taxes is fully transitioned by FY27. A rough estimate of the FY23 effect is \$747 million loss of individual income tax plus \$68 million of corporate income tax plus \$56 million of corporate franchise tax, totaling some \$871 million. In FY24, roughly \$4.3 billion of individual income tax is lost plus \$338 million of corporate income tax plus \$119 million of corporate franchise tax, totalling some \$4.8 billion. By FY25, the losses stabilize to roughly the fiscal year projections above at \$4 billion for individual income tax plus \$375 million for corporate income tax plus \$125 million of corporate franchise tax, totaling some (\$4.5 billion).

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