



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 696** HLS 21RS 949
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 10, 2021 7:04 PM	Author: LANDRY
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Estate Tax: 10%, \$1 mil Threshold	

TAX/INHERITANCE TAX OR INCREASE GF RV See Note Page 1 of 1
 Levies a state tax on the transfer of certain property

Proposed law levies a 10% tax on the Louisiana taxable estate value of each transfer of property located in the state, independent of any federal estate tax liability, applying to deaths occurring on or after January 1, 2021. Proposed law provides that the taxable estate value excludes \$1 million, and provides certain other deductions. Proposed law requires a taxpayer to file a return on or before the one year anniversary of the decedent's death, and authorizes a written declaration for estates with a taxable valuation of less than \$1 million. Proposed law directs and authorizes LDR to administer and collect the tax, and authorizes the Secretary to authorize payment in installments.

Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$580,000	\$140,000	\$140,000	\$140,000	\$140,000	\$1,140,000
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	\$580,000	\$140,000	\$140,000	\$140,000	\$140,000	\$1,140,000

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	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

LDR anticipates a material upfront cost, estimated at approximately \$440,000, for computer system modification costs and tax form design in support of establishing the new tax. Additionally, LDR anticipates that administration of the new tax will require two additional personnel, reflected above as the recurring cost of two typical permanent Tax Specialists.

REVENUE EXPLANATION

Proposed law levies estate tax on certain transfers of property associated with deaths occurring on or after January 1, 2021. Proposed law levies a 10% tax on taxable property valued above \$1 million, and will result in an indeterminable increase in state general fund revenue.

For information purposes, a rough estimate of taxable estate transfers in the state under proposed law is constructed using IRS information for Louisiana taxpayers filed in 2019, under the current federal estate tax structure. 40 Louisiana taxpayers whose liabilities met or exceeded the federal threshold of \$11.7 million, at the federal rate of 40%, owed approximately \$153.6 million, implying approximately \$384 million in taxable property above the federal minimum valuation. The federal threshold exceeds the threshold in proposed law by \$10.7 million, so these 40 taxpayers would have owed taxes to the state on an additional \$428 million in property under proposed law.

These figures imply a taxable base in the state of \$812 million, which at 10% would imply a revenue impact of \$81.2 million.

However, there are important differences between the federal liability calculation and the calculation in proposed law, which may cause the actual Louisiana liability to differ significantly from this figure. The IRS information includes all property held by Louisiana filers, whereas proposed law excludes property outside the state from the calculation of liability. To the extent that property that is outside the state is transferred, it would cause the estimate based on the IRS figure to overstate the Louisiana liability. However, these figures exclude all filers that are above the \$1 million threshold but below the federal \$11.7 million threshold. To the extent that filers in this range transfer Louisiana property, it would cause estimates based on the IRS information to be understated. In addition, projection of deaths by particular populations (in this case of persons with taxable estates transferred over \$1 million) is speculative. Annual collections in particular fiscal years are likely volatile and highly uncertain.

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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