
DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

CONFERENCE COMMITTEE REPORT DIGEST

HB 278

2021 Regular Session

Bishop

Keyword and oneliner of the instrument as it left the House

TAX/INCOME TAX: Reduces the tax rates for purposes of calculating individual income tax liability and calculating the tax liability of estates and trusts and eliminates and modifies certain income tax deductions

Report adopts Senate amendments to:

1. Change the applicability provisions of proposed law from taxable periods beginning on or after Jan. 1, 2023, to taxable periods beginning on or after Jan. 1, 2022, and change the effective date of proposed law from Jan. 1, 2023, to Jan. 1, 2022.
2. Condition the effectiveness of proposed law on the statewide adoption of either House Bill No. 274 or Senate Bill No. 159 of this 2021 R.S. of the Legislature and the enactment of both House Bill No. 292 and Senate Bill No. 161 of this 2021 R.S. of the Legislature.

Report rejects Senate amendments which would have:

1. Changed the implementation date of the mechanism used to reduce individual income tax rates from Nov. 1, 2024, and each November first thereafter to Feb. 1, 2024 and each February first through 2034.
2. Provided for the individual income tax collection thresholds that must be met beginning Feb. 1, 2024, and each February first thereafter through 2034, in order for the individual income tax rates to be further reduced from what is provided for in proposed law and established the factors to be used in calculating the amount of the rate reduction.
3. Removed provisions of proposed law repealing the secretary of the Dept. of Revenue's authority to consider income tax rates set forth in present law when promulgating rules to establish special withholding tax tables.

Report amends the bill to:

1. Provide for the individual income tax collection thresholds that must be met beginning April 1, 2024, and each April first through 2034, in order for the individual income tax rates to be further reduced from what is provided for in proposed law and establish the factors to be used in calculating the amount of the rate reduction.
2. Repeal provisions of present law authorizing the secretary of the Dept. of Revenue to consider the federal income tax deduction when promulgating rules to establish special withholding tax tables.

Digest of the bill as proposed by the Conference Committee

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% to 1.85% on the first \$12,500 of net income.
- (2) From 4% to 3.5% on the next \$37,500 of net income.
- (3) From 6% to 4.25% on net income in excess of \$50,000.

Proposed law requires the reduction in each individual income tax rate if, beginning April 1, 2024, and each April first thereafter through 2034, the prior fiscal year's actual individual income tax collections as reported in the state's accounting system exceed the actual individual income tax collections for the fiscal year ending June 30, 2019, adjusted annually by the growth factor provided for in the present constitution. If the conditions in proposed law are met, individual income tax rates shall be reduced beginning the following Jan. first.

Proposed law requires the reduced rate to be calculated by multiplying each current rate by the difference between one and the percentage change in individual income tax collections in excess of the individual income tax collections for Fiscal Year 2018-2019 adjusted annually by the growth factor as provided for in the present constitution. Further prohibits this reduction unless both of the following conditions are met:

- (1) The prior fiscal year's actual total tax, licenses, and fees exceed the actual total tax, licenses, and fees for Fiscal Year 2018-2019, adjusted annually by the growth factor provided for in the present constitution.

- (2) The Budget Stabilization Fund balance as determined by the treasurer is at least 2.5% of the total state revenue receipts from the prior fiscal year.

Proposed law requires the secretary of the Dept. of Revenue to publish the reduced rates and to include the rate reduction when publishing the tax tables and withholding tables authorized by present law.

Proposed law requires the actual individual income tax collections and actual total tax, licenses, and fees used in the calculations required in proposed law to be certified by the Office of Statewide Reporting and Accounting Policy.

Proposed law defines "growth factor provided for in Article VII, Section 10(C) of the Constitution" as the positive growth factor that is the most recent average annual percentage rate of change of personal income for La. as defined and reported by the U.S. Dept. of Commerce for the three calendar years prior to the fiscal year for which the calculation is made.

Proposed law defines "actual total tax, licenses, and fees" as actual total tax, licenses, and fees as reported to the Revenue Estimating Conference.

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 provides the term "expenses for medical care" has 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 are 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.

Present law provides for a tax to be assessed, levied, collected, and paid on the La. taxable income of an estate or trust at the following rates:

- (1) 2% on the first \$10,000 of La. taxable income.
- (2) 4% on the next \$40,000 of La. taxable income.
- (3) 6% on La. taxable income in excess of \$50,000.

Proposed law changes income tax rates on estates and trusts as follows:

- (1) From 2% to 1.85% on the first \$10,000 of La. taxable income.
- (2) From 4% to 3.5% on the next \$40,000 of La. taxable income.
- (3) From 6% to 4.25% on La. taxable income in excess of \$50,000.

Present law provides for the computation of La. taxable income for a resident estate or trust, including provisions for the federal income tax deduction, limitations of deductions for net income, provisions for the federal deduction for alternative minimum tax, and the authority of the secretary of the Dept. of Revenue to consider reductions to the federal income tax deduction and the determination of the deductible portion of an alternative minimum tax.

Proposed law retains present law except as it applies to the deductibility of federal income taxes. Provides that no federal income tax deduction is allowed on net income upon which no La. income tax was incurred or upon which no income tax will be paid.

Present law authorizes the secretary of the Dept. of Revenue to promulgate rules to establish special withholding tax tables that take into account specific factors that the secretary deems compatible with the efficient implementation and administration of the no-return option program including the federal income tax deduction.

Proposed law retains present law but repeals authority for the secretary to consider the federal income tax deduction when promulgating rules to establish special withholding tables.

Applicable for taxable periods beginning on or after Jan. 1, 2022.

Effective Jan. 1, 2022, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 275 of this 2021 R.S. of the Legislature or the Act which originated as Senate Bill No. 159 of this 2021 R.S. of the Legislature is adopted at a statewide

election and becomes effective and if both of the Acts that originated as House Bill 292 and Senate Bill No. 161 of this 2021 R.S. of the Legislature are enacted and become law.

(Amends R.S. 47:32(A), 241, 293(3) and (10), 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:32.1; Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298)