

RÉSUMÉ DIGEST

ACT 395 (HB 278)

2021 Regular Session

Bishop

Prior law provided 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.

New 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.

New 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 existing constitution. If the conditions in new law are met, individual income tax rates are reduced beginning the following January first.

New 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 existing 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 existing 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.

New 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 new law.

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

Existing law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Prior law defined the term "excess federal itemized personal deductions" 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.

New law limits the expenses eligible to be claimed on a state return to expenses for medical care used by the tax payer in the calculation of federal taxable income that exceed the amount of the federal standard deduction.

New law provides that the term "expenses for medical care" has the meaning ascribed to it in existing federal law.

Prior constitution and prior law provided for a mandatory state deduction for federal income taxes paid for purposes of computing income taxes for the same period.

New law repeals the state deduction for federal income taxes paid for purposes of calculating income taxes.

Existing 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. Prior law required the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemption deductions in existing law which are deducted from the 2% bracket. If the combined exemptions and deductions exceed the 2% bracket, the excess was deducted from the 4% bracket, and then the 6% bracket.

New law authorizes 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.

Prior law provided 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.

New 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.

Existing law provides for the computation of La. taxable income for a resident estate or trust, 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.

Prior law authorized resident estates and trusts to claim the federal income tax deduction when calculating state income tax liability.

New law repeals the federal income tax deduction for purposes of calculating state income tax by resident estates and trusts.

Existing 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.

Prior law authorized the secretary of DOR to take into account the federal income tax deduction when establishing withholding tables.

New law 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 January 1, 2022.

Effective January 1, 2022, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 274 of the 2021 R.S. or the Act which originated as Senate Bill No. 159 of the 2021 R.S. 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 the 2021 R.S. 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)