

2023 Regular Session

HOUSE BILL NO. 424

BY REPRESENTATIVE NELSON

TAX/INCOME TAX: Phases-out the taxes levied on the income of individuals and estates and trusts and reduces the amount of exemptions, deductions, and credits that may be claimed to reduce income tax liability

1 AN ACT

2 To amend and reenact R.S. 47:31, 32(A), and 300.1, to enact R.S. 47:32.2 and 300.12, and
3 to repeal R.S. 47:32.1, relative to income taxes; to provide for the rate of the
4 individual income tax; to provide for a reduction and eventual elimination of the
5 individual income tax; to provide for the rate of the income tax levied on estates and
6 trusts; to provide for a reduction and eventual elimination of the income taxes levied
7 on estates and trusts; to provide for the claiming of income tax exemptions,
8 deductions, and credits for individuals and estates and trusts; to repeal the automatic
9 reduction in each individual income tax rate under certain circumstances; to provide
10 for applicability; to provide for an effective date; and to provide for related matters.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 47:31, 32(A), and 300.1 are hereby amended and reenacted and R.S.
13 47:32.2 and 300.12 are hereby enacted to read as follows:

14 §31. Individuals, corporations and trusts subject to tax

15 A.(1) There shall be levied, collected, and paid for each taxable year a tax
16 upon the net income of residents and nonresidents, estates, trusts, and corporations,
17 as hereinafter provided.

1 (2) Notwithstanding the provisions of Paragraph (1) of this Subsection, for
2 taxable years beginning on or after January 1, 2027, no tax shall be levied, collected,
3 or paid upon the taxable income of residents and nonresidents, estates, or trusts.

4 ~~(1)~~ B.(1) Resident individuals. (a) Every person residing within the state,
5 or the personal representative in the event of death, shall pay a tax on net income
6 from whatever source derived, except as hereinafter exempted.

7 (b) Every natural person domiciled in the state, and every other natural
8 person who maintains a permanent place of abode within the state or who spends in
9 the aggregate more than six months of the taxable year within the state, shall be
10 deemed to be a resident of this state for the purpose of determining liability for
11 income taxes under this Chapter.

12 (2) Nonresident individuals. Every nonresident shall pay a tax upon such net
13 income as is derived from property located, or from services rendered, or from
14 business transacted within the state, or from sources within the state, except as
15 hereinafter exempted.

16 ~~(2)~~ C. Corporations. Corporations shall be taxed on net income from sources
17 within the state, as hereinafter set out.

18 ~~(4)~~ D.(1) Domestic real estate investment trusts. Trusts shall be taxed on net
19 income from whatever source derived, except as otherwise exempted.

20 ~~(5)~~ (2) Foreign real estate investment trusts. Foreign real estate investment
21 trusts shall be taxed on net income from sources within the state, as hereinafter set
22 out.

23 §32. Rates of tax

24 A. On individuals. (1) For taxable years beginning before January 1, 2024,
25 ~~the~~ the tax to be assessed, levied, collected, and paid upon the taxable income of an
26 individual shall be computed at the following rates:

27 ~~(1)~~ (a) One and eighty-five one hundredths percent on that portion of the first
28 twelve thousand five hundred dollars of net income which is in excess of the credits
29 against net income provided for in R.S. 47:79.

1 ~~(2)~~ (b) Three and one-half percent on the next thirty-seven thousand five
2 hundred dollars of net income.

3 ~~(3)~~ (c) Four and twenty-five one hundredths percent on any amount of net
4 income in excess of fifty thousand dollars of net income.

5 (2) For taxable years beginning on or after January 1, 2024, but before
6 January 1, 2025, the tax to be assessed, levied, collected, and paid upon the taxable
7 income of an individual shall be computed at the following rates:

8 (a) One and thirty-eight one hundredths percent on that portion of the first
9 twelve thousand five hundred dollars of net income which is in excess of the credits
10 against net income provided for in R.S. 47:79.

11 (b) Two and sixty-three one hundredths percent on the next thirty-seven
12 thousand five hundred dollars of net income.

13 (c) Three and eighteen one hundredths percent on any amount of net income
14 in excess of fifty thousand dollars of net income.

15 (3) For taxable years beginning on or after January 1, 2025, but before
16 January 1, 2026, the tax to be assessed, levied, collected, and paid upon the taxable
17 income of an individual shall be computed at the following rates:

18 (a) Ninety-one one hundredths percent on that portion of the first twelve
19 thousand five hundred dollars of net income which is in excess of the credits against
20 net income provided for in R.S. 47:79.

21 (b) One and seventy-five one hundredths percent on the next thirty-seven
22 thousand five hundred dollars of net income.

23 (c) Two and eleven one hundredths percent on any amount of net income in
24 excess of fifty thousand dollars of net income.

25 (4) For taxable years beginning on or after January 1, 2026, but before
26 January 1, 2027, the tax to be assessed, levied, collected, and paid upon the taxable
27 income of an individual shall be computed at the following rates:

28 (a) Forty-five one hundredths percent on that portion of the first twelve
29 thousand five hundred dollars of net income which is in excess of the credits against
30 net income provided for in R.S. 47:79.

1 §300.1. Tax imposed

2 A. There is imposed an income tax for each taxable year upon the Louisiana
3 taxable income of every estate or trust, whether resident or nonresident. ~~The~~ For
4 taxable years beginning before January 1, 2024, the tax to be assessed, levied,
5 collected, and paid upon the Louisiana taxable income of an estate or trust shall be
6 computed at the following rates:

7 (1) One and eighty-five hundredths percent on the first ten thousand dollars
8 of Louisiana taxable income.

9 (2) Three and one-half percent on the next forty thousand dollars of
10 Louisiana taxable income.

11 (3) Four and twenty-five one hundredths percent on Louisiana taxable
12 income in excess of fifty thousand dollars.

13 B. For taxable years beginning on or after January 1, 2024, but before
14 January 1, 2025, the tax to be assessed, levied, collected, and paid upon the
15 Louisiana taxable income of an estate or trust shall be computed at the following
16 rates:

17 (1) One and thirty-eight one hundredths percent on the first ten thousand
18 dollars of Louisiana taxable income.

19 (2) Two and sixty-three one hundredths percent on the next forty thousand
20 dollars of Louisiana taxable income.

21 (3) Three and eighteen one hundredths percent on Louisiana taxable income
22 in excess of fifty thousand dollars.

23 C. For taxable years beginning on or after January 1, 2025, but before
24 January 1, 2026, the tax to be assessed, levied, collected, and paid upon the taxable
25 income of an individual shall be computed at the following rates:

26 (1) Ninety-one one hundredths percent on the first ten thousand dollars of
27 Louisiana taxable income.

28 (2) One and seventy-five one hundredths percent on the next forty thousand
29 dollars of Louisiana taxable income.

- (1) From 1.85% to 1.38% on the first \$12,500 of net income.
- (2) From 3.5% to 2.63% on the next \$37,500 of net income.
- (3) From 4.25 to 3.18% on net income in excess of \$50,000.

Proposed law provides for the further reduction of individual income tax rates for taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1.38% to .91% on the first \$12,500 of net income.
- (2) From 2.63% to 1.75% on the next \$37,500 of net income.
- (3) From 3.18% to 2.11% on net income in excess of \$50,000.

Proposed law provides for the further reduction of individual income tax rates for taxable years beginning on or after Jan. 1, 2026, but before Jan. 1, 2027, as follows:

- (1) From .91% to .45% on the first \$12,500 of net income.
- (2) From 1.75% to 1.24% on the next \$37,500 of net income.
- (3) From 2.11% to 1% on net income in excess of \$50,000.

Proposed law prohibits tax from being assessed, levied, collected, or paid upon the taxable income of an individual for tax years beginning on or after Jan. 1, 2027.

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

Proposed law changes present law for taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by reducing the tax rates for taxes levied on estates and trusts as follows:

- (1) From 1.85% to 1.38% on the first \$10,000 of La. taxable income.
- (2) From 3.5% to 2.63% on the next \$40,000 of La. taxable income.
- (3) From 4.25% to 3.18% on La. taxable income in excess of \$50,000.

Proposed law provides for the further reduction of the tax levied on the taxable income of estates and trusts for taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1.38% to .91% on the first \$10,000 of La. taxable income.
- (2) From 2.63% to 1.75% on the next \$40,000 of La. taxable income.
- (3) From 3.18% to 2.11% on La. taxable income in excess of \$50,000.

Proposed law provides for the further reduction of the tax levied on the taxable income of estates and trusts for taxable years beginning on or after Jan. 1, 2026, but before Jan. 1, 2027, as follows:

- (1) From .91% to .45% on the first \$10,000 of La. taxable income.
- (2) From 1.75% to 1.24% on the next \$40,000 of La. taxable income.
- (3) From 2.11% to 1% on La. taxable income in excess of \$50,000.

Proposed law prohibits tax from being assessed, levied, collected, or paid on the taxable income of an estate or trust beginning on or after Jan. 1, 2027.

Present law includes various tax incentives in the form of credits, deductions, and exemptions from individual income tax and income taxes levied on estates and trusts which reduce a taxpayer's overall tax liability.

Proposed law retains present law but reduces the value of the tax credits, deductions, and exemptions that may be claimed on a tax return to reduce a taxpayer's tax liability as follows:

- (1) For taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by 25%.
- (2) For taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, by 50%.
- (3) For taxable years beginning on or after Jan. 1, 2026, but before Jan. 1, 2027, by 75%.
- (4) For taxable years beginning on or after Jan. 1, 2027, by 100%.

Present law requires the reduction of 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 present law are met, individual income tax rates are reduced beginning the following January first.

Present 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 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 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.

Proposed law repeals present law.

Proposed law applies to all taxable years beginning on or after Jan. 1, 2024.

Effective 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 2023 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:31, 32(A), and 300.1; Adds R.S. 47:32.2 and 300.12; Repeals R.S. 47:32.1)