
DIGEST

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HB 424 Original

2023 Regular Session

Nelson

Abstract: Phases-out individual income taxes and taxes levied on the income of estates and trusts over four years, reduces the amount of exemptions, deductions, and credits that may be claimed on tax returns to reduce income tax liability, and repeals the automatic reduction in each individual income tax rate if certain revenue thresholds are met.

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) 1.85% on the first \$12,500 of net income.
- (2) 3.5% on the next \$37,500 of net income.
- (3) 4.25% on net 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 individual income tax as follows:

- (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)