



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 241** HLS 23RS 748  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 14, 2023	10:56 AM	<b>Author:</b> BEAULLIEU
<b>Dept./Agy.:</b> REVENUE		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Individual Income Tax: Flat Rate		

TAX/INCOME TAX OR +\$7,000,000 GF RV See Note Page 1 of 1  
 Provides for a flat rate for purposes of calculating the income tax for individuals, estates, and trusts

Proposed law modifies the individual income tax (IIT) to impose a single rate of 3.49% (from the current rates of 1.85%, 3.5%, and 4.25%).

Effective for tax periods beginning on and after January 1, 2024.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$2,000,000	\$8,000,000	\$7,000,000	\$7,000,000	\$7,000,000	<b>\$31,000,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$2,000,000</b>	<b>\$8,000,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$31,000,000</b>

**EXPENDITURE EXPLANATION**

LDR anticipates that implementation of proposed law will require additional expenditures for system modification, development and testing, and tax form modification. The change is estimated at \$53,000 of staff time.

**REVENUE EXPLANATION**

From the tax table income (TTI) changes, the bill is estimated to result in an aggregate annual individual income taxpayer liability increase of \$7 million. Initial tax return data reflecting the first year of actual impacts of the 2021 tax reforms is not available at the time of this analysis. This estimate is generated by simulating the effects of the 2021 reforms as a baseline, then simulating the tax table liability changes due to proposed law for comparison.

The tax year liability change estimate is translated to fiscal year receipt estimates in the revenue table above in consultation with the Dept. of Revenue regarding the share of liability change typically collected through withholdings (79%), declarations (8%), and return filings (13%). The first fiscal year of effect will be FY24 (+\$2M) with tax receipts affected through withholdings changes; with this estimate assuming a one-quarter lag for discernible impact. No lag is assumed for declarations since they are first due in April of the year. The effect for the second fiscal year, FY25 (+\$8M), steps up the aggregate liability loss due to four quarters of withholdings and declarations, plus the catch-up of the first tax year's first quarter liability change when returns are filed, plus the amount of liability change typically realized on returns rather than through withholdings or declarations. The bill's tax year changes fully transition to fiscal year realizations by the third fiscal year, FY26 (+\$7M).

LFO notes that the proposed 3.49% rate appears to be aimed at achieving a net revenue impact of approximately zero. In a scenario where the proposed flat rate were reduced to 3.48%, the anticipated impact of proposed law would be a slight reduction in general fund revenues.

Summary of rate and taxable income changes proposed, by LA TTI bracket:

<u>Current Bracket</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Change</u>
\$0-12.5K	1.85%	3.49%	(+1.64%)
\$12.5 - 50K	3.5%	3.49%	(-0.01%)
\$50K+	4.25%	3.49%	(-0.76%)

Senate  
 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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