



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 633** HLS 26RS 1015
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Department of Revenue	Analyst: Noah O'Dell
Subject: Estimate Tax Timelines, Penalty Calculations, and Exceptions	

TAX RETURN OR INCREASE SG RV See Note Page 1 of 1
 Modifies statutory timelines, penalty calculations, and exceptions for penalties for the payment of certain estimated taxes

Current law applies a 12% annual penalty on underpaid estimated individual and corporate income taxes and establishes certain filing and adjustment deadlines on the 15th day of the fourth month following the close of the taxable year. Current law provides for an annualized income calculation as one method for avoiding underpayment penalties for both individual and corporate filers.

Proposed law retains the 12% annual penalty but extends certain filing and adjustment deadlines to the 15th day of the 5th month following the close of the taxable year. Proposed law repeals the annualized income calculation as a basis for avoiding underpayment penalties for both individual and corporate filers, but preserves the corporate underpayment penalty exception for payments totaling at least 80% of the current year tax.

Effective upon signature of the governor and applicable to taxable periods beginning on or after January 1, 2026.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$77,450	\$0	\$0	\$0	\$0	\$77,450
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$77,450	\$0	\$0	\$0	\$0	\$77,450

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase \$77,450 SGR expenditures within the Department of Revenue (LDR) in FY 27 associated with one-time costs related to computer system development, modification, and testing. LDR must modify its system to adjust filing deadlines and penalty/interest calculations. LDR is anticipated to be able to absorb this amount within its current budget but may require additional resources depending on the aggregate impact of legislation enacted this session.

REVENUE EXPLANATION

Proposed law is anticipated to increase SGF and SGR associated with penalties collected by LDR beginning in FY 27. The bill extends the accrual period for underestimated penalties and excessive adjustment penalties by one month to align the deadline for penalties with the state filing deadline of May 15th. These penalties are assessed at an annual rate of 12% and apply to both individual and corporate filers. To the extent taxpayers utilize the additional month before settling tax liabilities, the resulting increase in penalty collections is expected to increase SGR within LDR. LDR reverts excess SGR to the SGF annually under the current budget mechanism, which is why the table above illustrates an increase in both SGR and SGF.

At this time, the Legislative Fiscal Office (LFO) is unable to estimate the potential increase in penalty collections without additional information from the Collection Division in LDR. Should additional information regarding estimated revenues become available, this fiscal note will be updated.

The bill also removes the annualized income calculation as a basis for avoiding individual and corporate underpayment penalties. This is not anticipated to materially affect penalties assessed by the department, due to the flat individual and corporate income tax rates under current law.

For informational purposes, underestimated payment penalties collected by LDR for individual income taxpayers totaled \$15.2 M in FY 25, \$15.1 M in FY 24, and \$12.9 M in FY 23. LDR reports that the department has not historically assessed underestimated payment penalties or excessive adjustment penalties on corporate filers, but intends to begin doing so starting January 1, 2026, following the repeal of the franchise tax.

Senate Dual Referral Rules
 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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 Legislative Fiscal Officer