



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 253** HLS 26RS 286  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 27, 2026 1:52 PM	<b>Author:</b> MCCORMICK
<b>Dept./Agy.:</b> Department of Revenue	<b>Analyst:</b> Noah O'Dell
<b>Subject:</b> Repeals the State Personal Income Tax	

TAX/INCOME TAX OR DECREASE GF RV See Note Page 1 of 1  
 Repeals the state tax levied on the net income of individuals and estates and trusts

Current law provides for an individual income tax (IIT) rate of 3%.

Proposed law entirely repeals the income tax on individuals, estates, trusts, and pass-through entities. The treatment of existing deductions, credits, exemptions, and exclusions are unaddressed by the bill.

Effective January 1, 2027, and applicable to tax years beginning on or after January 1, 2027.

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.	<b>\$198,000</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>\$198,000</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$198,000</b>					<b>\$198,000</b>

  

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	<b>(\$1,600,000,000)</b>	<b>(\$4,100,000,000)</b>	<b>(\$4,100,000,000)</b>	<b>(\$4,200,000,000)</b>	<b>(\$4,200,000,000)</b>	<b>(\$18,200,000,000)</b>
Agy. Self-Gen.	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	
Ded./Other	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	
Federal Funds	<b>SEE BELOW</b>					
Local Funds	<b>SEE BELOW</b>					
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law is anticipated to increase \$198,000 SGR within the Department of Revenue (LDR) associated with upfront costs involved in modifying systems that interact with individual income tax. Upon full implementation of the proposed repeal, LDR expenditures are expected to decrease due to workforce reductions, mail to taxpayers, and printing forms.

Additionally, reduced revenues due to the bill will lower the debt limit by an estimated \$246 M, which may constrain capital outlay and other debt funding via the state debt maximum 6% of taxes, licenses, and fees in future years.

**REVENUE EXPLANATION**

Proposed law is anticipated to significantly reduce SGF revenue, SGR revenue, and certain statutory dedications beginning in FY 27 through the elimination of the individual income tax (IIT) beginning tax year 2027. The precise timing of likely revenue impacts is subject to uncertainty; however, LFO estimates the timing of these impacts based on filing patterns and withholdings. LFO assumes that LDR stops requiring withholdings of taxes starting with wages earned in January 2027.

An approximation of the revenue that would be foregone upon repeal is reflected in the 12/11/2025 Revenue Estimating Conference (REC) forecast of approximately \$4.1 B (the average of projected FY 27 and FY 28 IIT collections), and the projected credits against IIT that can be refunded or claimed against other taxes. For the purpose of this analysis, the impact on a full year is estimated at \$4.1 B. This full-year value is first reflected in the table above as the FY 28 impact of the proposed law. Impacts in subsequent years would grow in accordance with IIT collections that would have been observed under a current-law baseline (current REC projects IIT collections to grow at an average of 1% annually over the forecast horizon).

Fiscal year forecasts reflect multiple tax years of returns in each fiscal year, resulting in a revenue impact that applies unevenly across the first two fiscal years. Approximately two quarters of withholdings and two quarters of declaration payments are anticipated to impact FY 27 collections, resulting in \$1.6 B in revenue loss due to proposed law. The full realization of the reduction in tax payments takes place in FY 28, when a full year of withholdings, declarations, and estimated payments that take place when typical filing occurs. Existing IIT credits that are refundable or can be applied toward other taxes would cause revenue loss in addition to the figures in the table.

LDR reports that SGR revenue for the agency and certain dedicated funds would be significantly reduced by the IIT repeal, including the 1% of tax collections, penalties, fees, and certain credit transfers, the Sports Facility Assistance Fund (IIT paid by nonresident professional athletes), and the LA Entertainment Development Fund Account (Motion Picture Credit transfer fees). In addition, LDR notes that the Office of Debt Recovery (ODR) collects a significant amount of revenue utilizing the Tax Refund Offset Program for local/state agencies (approximately \$34.3 M in FY 25), which would no longer be available. ODR would have to seek other debt recovery methods. Lastly, some federal programs (such as TANF) use the refundable portion of certain tax credits as state match to draw down federal funds, which are likely affected by the repeal of the IIT.

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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