



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 411** HLS 26RS 284
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 27, 2026 2:05 PM	Author: WYBLE
Dept./Agy.: Department of Revenue	Analyst: Noah O'Dell
Subject: Phases Out the Individual Income Tax	

TAX/INCOME TAX OR -\$40,100,000 GF RV See Note Page 1 of 1
 Reduces the rate of the state tax levied on the net income of individuals over a ten-year period

Current law authorizes a 3% income tax rate on an individual's taxable income.

Proposed law reduces the individual income tax rate on an individual's taxable income to 2.9% in tax year 2028, 2.8% in tax year 2029, 2.7% in tax year 2030, 2.6% in tax year 2031, 2% in tax year 2032, 1.75% in tax year 2033, 1.5% in tax year 2034, 1.25% in tax year 2035, 1% in tax year 2036, 0.75% in tax year 2037, 0.25% in tax year 2038, and no tax shall be assessed on the net income of an individual beginning in tax year 2039 and thereafter. This reduction in income tax would be applicable to pass-through entities. Income tax on corporations, estates, and trusts is retained. The treatment of existing deductions, credits, exemptions, and exclusions is unaddressed by the bill.

Effective 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.	\$0	\$25,200	\$25,200	\$25,200	\$25,200	\$100,800
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	\$0	\$25,200	\$25,200	\$25,200	\$25,200	\$100,800

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$40,100,000)	(\$143,500,000)	(\$246,900,000)	(\$350,300,000)	(\$780,800,000)
Agy. Self-Gen.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
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	\$0					\$0

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase expenditures by \$25,200 SGR within the Department of Revenue (LDR) in FY 28 and each fiscal year thereafter in which a tax rate change is implemented for computer system development, modification, and testing. LDR reports the ability to absorb this amount within its current budget.

Additionally, reduced IIT revenues over time will lower the state's debt capacity under the constitutional limitation on debt (6% of taxes, licenses, and fees), which may constrain funding for capital outlay projects in future years.

REVENUE EXPLANATION

Proposed law is estimated to decrease SGF revenue by approximately \$40.1 M in FY 28, \$143.5 M in FY 29, \$246.9 M in FY 30, and \$350.3 M in FY 31. The measure reduces the individual income tax rate by 0.1% each year beginning 1/1/28, and throughout the fiscal note horizon. The IIT rate continues to decrease in subsequent years beyond the fiscal note horizon until tax year 2039, when the IIT rate will be reduced to zero (\$4.2 B+ impact). This is expected to significantly reduce SGF revenue over the next decade. The precise timing of likely revenue impacts is subject to a degree of uncertainty.

	FY 28	FY 29	FY 30	FY 31
2.9% IIT	(\$40.1 M)	(\$103.4 M)	(\$103.4 M)	(\$103.4 M)
2.8% IIT		(\$40.1 M)	(\$103.4 M)	(\$103.4 M)
2.7% IIT			(\$40.1 M)	(\$103.4 M)
2.6% IIT				(\$40.1 M)
Total	(\$40.1 M)	(\$143.5 M)	(\$246.9 M)	(\$350.3 M)

This estimate is generated by a micro-simulation model processing the 2023 resident and nonresident individual income tax return data. The tax year liability change estimate is translated to fiscal year receipt estimates, reflected in the revenue table above. Each reduction in the IIT takes two years to play out, so a stacking effect of the changes takes place. The first fiscal year of each effect will be with tax receipts affected through withholdings and declaration changes, assuming immediate implementation in January of each year. Receipts for the second fiscal year decrease due to four quarters of withholdings, plus the amount of liability change typically realized on returns rather than through withholdings. No growth path has been assumed for purposes of the fiscal note, nor has an inflationary path been incorporated into the standard deduction tied to CPI-U in current law.

The table above reflects changes in tax table liability only. Existing IIT credits that are refundable or can be applied toward other taxes would cause additional revenue loss, particularly in the years outside of the fiscal note horizon when larger reductions in the IIT rate take place.

Note: LDR retains 1% of tax collections as SGR for operations and reverts excess to the SGF. As IIT collections decline under the bill, LDR's SGR may also decrease, which may affect agency operations absent adjustments to its funding structure.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |


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