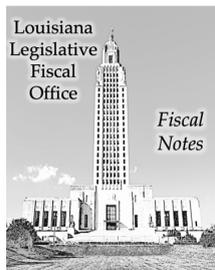


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 898** HLS 26RS 394
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: March 29, 2026 1:46 PM	Author: MCMAKIN
Dept./Agy.: Department of Revenue	Analyst: Noah O'Dell
Subject: Reduces the Individual Income Tax Rate	

TAX/INCOME TAX OR DECREASE GF RV See Note Page 1 of 1
 Provides for a reduction in the rate of the state tax levied on individuals under certain circumstances

Current law provides for an individual income tax (IIT) rate of 3%. Current law requires the commissioner of administration to certify to the Joint Legislative Committee on the Budget (JLCB) an amount of SGF carried forward at the close of the previous fiscal year and the Revenue Estimating Conference (REC) to recognize an amount of nonrecurring revenue.

Proposed law requires the IIT rate to be reduced when nonrecurring SGF revenue carried forward from the prior fiscal year is certified by the commissioner of administration and recognized by the REC. The secretary of the Department of Revenue (LDR) must calculate the rate reduction so that the estimated decrease in IIT collections equals 50% of the certified nonrecurring revenue. No reduction is made if the calculated rate change would be 0.05% or less.

Effective July 1, 2027 and applicable to tax years beginning on or after January 1, 2028.

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	DECREASE	DECREASE	DECREASE	DECREASE	\$0
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 \$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 may 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

To the extent a net general fund direct surplus is recognized, proposed law is anticipated to decrease SGF revenue from individual income tax (IIT) collections by an indeterminable amount beginning in FY 28. The bill creates a mechanism by which a net general fund direct surplus (certified in accordance with R.S. 39:75(A)(3)(a)) is used to permanently reduce the IIT rate. The secretary of LDR is directed to calculate a reduction in the IIT rate that would decrease anticipated collections by an amount equal to 50% of the recognized net general fund direct surplus. Because the rate reduction is permanent and applied to future tax years, successive years with certified surpluses may result in cumulative reductions in the IIT rate. As such, the bill effectively converts nonrecurring revenue into a recurring reduction in SGF revenue.

The net general fund direct surplus is determined by multiple variables, including the prior year's surplus and corresponding expenditures, actual SGF revenues, SGF direct carryforwards, direct appropriations, and certain statutory and constitutionally required transfers of monies.

The Legislative Fiscal Office (LFO) is unable to produce an exact estimate of the amount of revenue loss that will occur under the bill. The reduction in the IIT rate applies to the tax year beginning in January following REC recognition of the surplus. **LFO notes that the state has certified a net general fund direct surplus in 9 out of the past 10 fiscal years, ranging from \$122.6 M to \$726.5 M.** Historically, the net general fund direct surplus has been certified by JLCB in January and recognized by the REC in May each year. If historical timing patterns hold for future years, the net general fund direct surplus for FY 26 would be used to calculate the reduction in the IIT rate beginning in tax year 2028.

LDR is required to publish the adjusted rate on the department's website and incorporate it into tax and withholding tables. LFO notes considerable uncertainty in the calculations required under the bill to determine the applicable rate reduction in future years. As the IIT rate declines, reductions in liability will increase the portion of refundable credits paid as refunds and may alter the utilization of credits across tax types, resulting in additional revenue losses. Such calculations would need to incorporate future legislative changes to rates, credits, deductions, and exemptions, as well as updated data from returns.

Note: A portion of the SGF impact may originate as the LDR retention of 1% of income collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

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}

Alan M. Boxberger
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Legislative Fiscal Officer