
DIGEST

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HB 48 Original

2016 First Extraordinary Session

Abramson

Abstract: For three-years beginning Jan. 1, 2017, reduces the individual income tax rates and brackets for purposes of calculating the individual income tax, repeals the deduction for excess federal itemized personal deductions, and increases the amount of the earned income tax credit.

Present law provides for a tax to be assessed, levied, collected and paid upon the taxable income of an individual at the following rates and brackets:

- (1) 2% on the first \$12,500 of net income;
- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

Proposed law provides that the rates and brackets shall be the following from Jan. 1, 2017 thru Dec. 31, 2019:

- (1) 2% on the first \$12,500 of net income;
- (2) 3% on the next \$12,500 of net income;
- (3) 5% on the next \$225,000 of net income;
- (4) 5.5% on net income in excess of \$250,000.

Proposed law provides that the rates and brackets shall revert back to present law, beginning Jan. 1, 2020 as follows:

- (1) 2% on the first \$12,500 of net income;
- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

Present law requires the secretary of the Dept. of Revenue to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that shall not

exceed \$250. Further requires the secretary to provide for the deduction of certain exemptions and deductions from income that falls within certain brackets. Proposed law retains present law but updates the bracket references in light of changes in proposed law.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Excess federal itemized personal deductions is defined to mean the amount by which the federal itemized personal deductions exceed the amount of federal standard deduction designated for the filing status used for the taxable period on the individual income tax return. Proposed law disallows taxpayers to deduct excess federal itemized personal deductions on their state individual income tax returns for tax years during calendar years 2017 through 2019 but reinstates 100% of the deduction for all tax years beginning after calendar year 2020.

Present law provides for an individual income tax credit in an amount equal to 3.5% of the amount of the taxpayer's federal earned income tax credit authorized under Section 32 of the Internal Revenue Code. Proposed law increases the amount of the state tax credit from 3.5% to 7% of the federal tax credit from Jan. 1, 2017 thru Dec. 31, 2019. Proposed law reduces the the amount of the state tax credit from 7% to 3.5% of the federal tax credit on Jan. 1, 2020.

Applicable to all taxable periods beginning on and after Jan. 1, 2017.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:32(A), 293(3), 295(B), and 297.8(A))