
DIGEST

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HB 17 Engrossed

2016 Second Extraordinary Session

Stokes

Abstract: Changes the rates and brackets for purposes of calculating individual income tax liability, eliminates the standard and certain dependency deductions and repeals the deduction for excess federal itemized personal deductions.

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

- (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 changes individual income tax rates as follows:

- (1) From 2% on the first \$12,500 of net income to 0% on the first \$12,500 of net income.
- (2) From 4% on the next \$37,500 of net income and 6% on net income in excess of \$50,000 to 3.80% on net income in excess of \$12,500.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. The term "excess federal itemized personal deductions" is defined to mean the amount by which the federal itemized personal deductions exceed the amount of the federal standard deduction designated for the filing status used for the taxable period on the individual income tax return.

Proposed law repeals present law that allows taxpayers to deduct excess federal itemized personal deductions on their state individual income tax returns beginning Jan. 1, 2017.

Present law provides that all personal exemptions and deductions for dependents allowed in determining federal income tax liability shall be allowed in determining La. tax liability. Further provides for a combined personal exemption of \$4,500 for single, individual filers, \$9,000 for married, joint filers, \$4,500 for married, separate filers, and \$9,000 for filers who are the head of household.

Proposed law repeals present law.

Present law authorizes a credit of \$400 for each dependent who meets certain criteria and authorizes an additional deduction of \$1,000 for each allowable exemption in excess of those required to qualify for the exemption allowable under present law.

Proposed law changes present law by specifying that as offset for the exemption of the first \$12,500 of net income from state income taxation, no taxpayer shall be allowed to claim the personal exemptions and credits for individuals and dependents provided for in present law.

Present law requires the secretary to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that does not exceed \$250. Further requires the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemption deductions in present law which is deducted from the 2% bracket. If the combined exemptions and deductions exceed the 2% bracket, the excess is deducted from the 4% bracket, and then the 6% bracket.

Proposed law deletes the provisions authorizing the combined personal exemption, standard deduction, and other exemption deductions to be deducted from the income tax brackets.

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

Effective if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 7 of this 2016 2nd E.S. of the Legislature is adopted at a statewide election and becomes effective, and if the Act which originated as House Bill No. 33 of the 2016 Second Extraordinary Session is enacted into law and becomes effective.

(Amends R.S. 47:32(A), 79, 293(10), and 295(B); Repeals R.S. 47:293(3) and (9)(a)(xi) and 294)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Change the individual income tax rate provided for in proposed law to be imposed on net income in excess of \$12,500 from 3.95% to 3.80%.
2. Add effectiveness for proposed law contingent upon enactment of House Bill No. 33 of the 2016 Second Extraordinary Session.