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## DIGEST

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HB 38 Engrossed

2016 Second Extraordinary Session

White

**Abstract:** Temporarily reduces the amount of the individual income tax deduction for excess federal itemized personal deductions in tax years 2016 and 2017 from 100% of the deduction to the greater of 57.5% of all excess federal itemized personal deductions or 100% of mortgage interest and charitable donations.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Excess federal itemized personal deductions is defined to mean 100% of 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 reduces the amount of the deduction for excess federal itemized personal deductions for tax years 2016 and 2017 to the greater of 57.5% of all excess federal itemized personal deductions or 100% of qualified residence interest on a La. residence and charitable contributions used by the taxpayer in the calculation of federal taxable income which exceed the amount of the federal standard deduction.

Proposed law defines "qualified residence interest" and "charitable contribution" for purposes of proposed law.

Proposed law reinstates the amount of the deduction to 100% of excess federal itemized personal deductions for tax years beginning on and after Jan. 1, 2018.

Proposed law provides that no later than July 1, 2016, the Revenue Estimating Conference (REC) shall meet and forecast the amount of revenue attributable to the 2016 2<sup>nd</sup> E.S., including the revenue increase attributable to the reduction of the amount of excess itemized personal deduction. The forecasted amount of SGF for FY 16-17 adopted by the REC shall be designated as the base forecast amount for FY 16-17. If at any time during FY 16-17, the SGF forecasted for FY 16-17 exceeds the base by more than the amount of revenue increase attributable to the reduction of the amount of excess itemized personal deduction for FY 16-17, the reduction in the amount of the deduction shall be terminated and taxpayers claiming this deduction shall be entitled to claim 100% of their excess federal itemized personal deductions for the 2017 tax year.

Proposed law provides that no later than July 1, 2017, REC shall meet and forecast the amount of SGF for FY 17-18, that includes the revenue attributable to the excess federal itemized personal deduction which shall be designated as the base forecast amount for FY 17-18. If at any time during FY 17-18 the SGF revenues forecasted for FY17-18 exceeds the base by more than the amount of

revenue increase attributable to the reduction of the amount of excess federal itemized personal deduction for FY 17-18, the reduction in the amount of the deduction shall be terminated and taxpayers shall be entitled to claim 100% of the amount of their excess federal itemized personal deductions for the 2018 tax year.

Proposed law provides that in any year in which the reduction in the amount of the deduction is terminated, if a taxpayer has already filed their income tax return, the taxpayer shall be allowed to carry forward the amount of the deduction in which they were entitled to the tax return of the next taxable year.

Proposed law further provides that if the reduction in the amount of the deduction is not reinstated to 100% prior to the beginning of the 2018 tax year, taxpayers who would have otherwise been entitled to deduct 100% of their excess federal itemized personal deductions in tax years 2016 and 2017 shall be entitled to carry forward and recoup any reduced amount of the deduction that was carried forward from tax years 2016 and 2017 in addition to claiming 100% of the excess federal itemized personal deductions for tax year 2018.

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

(Amends R.S. 47:293(3); Adds R.S. 47:293(3)(d) and (e))

#### Summary of Amendments Adopted by House

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

1. Change the amount of the reduction from 57.5% to the greater of 57.5% of all excess federal itemized personal deductions or 100% of excess federal itemized personal deductions attributable to mortgage interest and charitable donations.
2. Add a mechanism for the reinstatement of the amount of the deduction to 100% prior to the beginning of the 2018 tax year.