

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 134** HLS 17RS 737

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 6, 2017	2:18 PM	Author: HAVARD
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Individual Income Tax Flat Rate		

TAX/INCOME TAX OR -\$727,000,000 GF RV See Note Page 1 of 1
Eliminates the graduated system of rates and brackets for purposes of calculating individual income tax liability in favor of establishing a flat tax rate

Current law imposes an individual income tax with a graduated rate and bracket structure. Single filers are subject to tax of 2% on the first \$12,500 of taxable income, 4% between \$12,500 and \$25,000, and 6% over \$25,000. For joint filers the taxable income amounts are doubled.

Proposed law imposes a 2% tax rate on all taxable income, regardless of filing status.

Applicable to all tax periods beginning on and after January 1, 2018, and contingent upon effectiveness of HB 125 of this session; a constitutional amendment requiring a flat rate individual income tax provided by law.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$51,000	\$0	\$0	\$0	\$0	\$51,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$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	\$51,000	\$0	\$0	\$0	\$0	\$51,000

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	(\$727,000,000)	(\$1,455,000,000)	(\$1,455,000,000)	(\$1,455,000,000)	(\$1,455,000,000)	(\$6,547,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$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	(\$727,000,000)	(\$1,455,000,000)	(\$1,455,000,000)	(\$1,455,000,000)	(\$1,455,000,000)	(\$6,547,000,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue estimates that tax system programming modifications (paper and online filing), revision and promulgation of withholding tables, and testing will involve some \$51,000 of staff costs. Additional resources may be required by the department dependent upon the cumulative amount of changes enacted in the session.

REVENUE EXPLANATION

The effect of the bill's 2% flat rate applicable to all taxable income was estimated utilizing an individual income tax micro-simulation model processing actual 2015 La tax return data. The bill results in an estimated \$1.455 billion reduction in annual tax liabilities.

The bill is effective for tax year 2018 and the Dept. of Revenue will likely have adjusted withholding tables implemented for use at the outset of the tax year. Thus, revenue losses will occur in the second half of FY18. To the extent withholdings are able to account for the full effect of the bill, revenue losses in FY18 will approximate one-half of the annual tax year total, or \$727 million. After that, revenue losses should stabilize toward full annual amounts. During FY19, a full year of revenue losses will occur through withholding declines for the second half of tax year 2018 (the first half of FY19) and the first half of tax year 2019 (the second half of FY19).

Senate Dual Referral Rules
 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}

John D. Carpenter
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Legislative Fiscal Officer