

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 373** HLS 17RS 412

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 10, 2017	2:53 PM	Author: IVEY
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Excess Federal Itemized Deduction		

TAX/INCOME TAX OR +\$305,700,000 GF RV See Note Page 1 of 1
Limits application of the individual income tax deduction for excess federal itemized personal deductions

Present law allows a deduction on state individual income tax returns for the excess amount of federal itemized deductions over the federal standard deduction.

Proposed law limits the state deduction to the amount of charitable contributions allowed on federal tax returns in excess of the federal standard deduction, and only allows the deduction for amounts in excess of \$12,500 for single filers and \$25,000 for joint filers.

Applicable to tax years beginning on and after January 1, 2018.

Effective upon governor's signature.

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

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$305,700,000	\$305,700,000	\$305,700,000	\$305,700,000	\$1,222,800,000
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	\$0	\$305,700,000	\$305,700,000	\$305,700,000	\$305,700,000	\$1,222,800,000

EXPENDITURE EXPLANATION

The Dept. of Revenue will likely incur minor costs to incorporate the change in this deduction. 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 limitation to the deduction was estimated utilizing an individual income tax micro-simulation model processing actual 2015 La tax return data. Charitable contributions were estimated from federal IRS data for Louisiana tax filers. The bill results in an estimated \$305.7 million increase in annual tax liabilities.

The bill is effective for tax year 2018. Thus, revenue gains will first occur in FY19. Since this deduction only applies to the approximately 26% of filers who itemize on their federal returns (residents and non-residents), it is assumed that the Dept. of Revenue will not adjust withholding tables. Thus, annual payments of increased liabilities will primarily occur in the spring when most tax returns are filed for the preceding tax year (the second half of the fiscal year). Over time, filers may adjust their withholdings on their own to spread their increased liability out over the course of a year.

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