

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 462** HLS 17RS 1089
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 10, 2017 3:19 PM	Author: BROADWATER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Income Tax - Federal Income Tax Deduction	

TAX/INCOME TAX OR +\$398,000,000 GF RV See Note Page 1 of 1
 Provides for the calculation of taxable individual income

Present law requires that federal income taxes paid shall be allowed as a deductible item in computing state income taxes for both individuals and corporations.

Proposed law provides that the computation of taxable income not include this deduction for individual income tax.

Applicable for all tax periods beginning on and after January 1, 2018.

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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.	\$398,000,000	\$796,000,000	\$796,000,000	\$796,000,000	\$796,000,000	\$3,582,000,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$398,000,000	\$796,000,000	\$796,000,000	\$796,000,000	\$796,000,000	\$3,582,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill does not eliminate the provisions in statute that provide a deduction for federal income tax paid; provided for individuals in R.S. 47:293(4) and 293(9)(a)(ii), and is not contingent upon other legislation removing the State Constitutional requirement for such a deduction. Thus, the bill by itself may not change tax liabilities. However, should the removal of the deduction be effective, the fiscal impact of this measure is estimated below.

For information purposes, a micro-simulation model of the individual income tax processing 2015 tax return data indicates that elimination of the deduction for individual income tax (with no other tax changes) would increase annual aggregate state tax liabilities by some \$796 million.

Since the bill would be effective for tax year 2018, and this change would effect essentially all tax filers, the Dept. of Revenue will likely have adjusted withholding tables implemented for use at the outset of the tax year. Thus, revenue gains will occur in the second half of FY18. To the extent withholdings are able to account for the full effect of the bill, revenue gains in FY18 could be approximate one-half of the annual tax year total, or \$398 million. After that, revenue gains should stabilize toward full annual amounts (\$796 million per year) . During FY19, a full year of revenue gains will occur through withholding increases 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