LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 163** HLS 17RS 867
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date:	April 10, 2017 3:27 PM	**Author:**	WHITE, MALINDA
Dept./Agy.:	Revenue		
Subject:	Excess Federal Itemized Deduction	**Analyst:**	Greg Albrecht

TAX/INCOME TAX OR +$138,000,000 GF RV See Note

Reduces the amount 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 greater of 57.5% of total excess federal itemized deductions, or 100% of the amount by which the sum of mortgage interest and charitable contributions allowed on federal tax return exceeds the federal standard deduction.

Applicable to tax years beginning on and after January 1, 2017.

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.	$138,000,000	$138,000,000	$138,000,000	$138,000,000	$138,000,000	**$690,000,000**
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	**$138,000,000**	**$138,000,000**	**$138,000,000**	**$138,000,000**	**$138,000,000**	**$690,000,000**

EXPENDITURE EXPLANATION

The Dept. of Revenue will likely incur costs to incorporate the change in this deduction. Tax forms, system process, and online filing will have to be modified and tested for calculating the deduction two different ways and compared for selection of the appropriate deduction amount. 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. The sum of mortgage interest and charitable contributions allowed on federal tax returns was estimated from Federal IRS data for Louisiana tax filers. That information indicated that in all income categories reported by the IRS, the excess federal itemized deduction provided by this bill will be less than a deduction based on 57.5% of excess federal itmeized deduction provided in current law. While there will possibly be particular taxpayers where this is not the case, the fiscal impact of the bill was estimated as allowing a 57.5% excess federal itemized deduction. On that basis, the bill results in an estimated $138 million increase in annual tax liabilities.

The bill is effective for tax year 2017. Thus, revenue gains will first occur in FY18. 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}
- [x] 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