LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 501** HLS 17RS 356
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 14, 2017 2:08 PM
Author: STOKES
Dept./Agy.: Revenue
Subject: Individual Income Tax
Analyst: Greg Albrecht

TAX/INCOME TAX OR +$32,300,000 GF RV See Note

Changes the rates and brackets for purposes of calculating individual income tax liability and eliminates certain deductions and credits

Proposed law modifies the individual income tax such that a single tax rate of 3.95% is levied on taxable income greater than $12,500 for single filers and $25,000 for joint filers. No deduction for federal income taxes paid is allowed, and the excess itemized deduction is modified to require a minimum of $12,500 of deduction for single filers and $25,000 for joint filers. The computation of the deduction is not to include state income tax refunds (nor are these refunds included in taxable income). Tax credits for Citizens Insurance assessments and child educational expenses are also repealed.

Applicable to all tax periods beginning on and after January 1, 2018, but contingent upon adoption of a constitutional amendment proposed in an unspecified House bill of this session.

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.	$2,300,000	$24,900,000	$32,300,000	$32,300,000	$32,300,000	**$124,100,000**
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	**$2,300,000**	**$24,900,000**	**$32,300,000**	**$32,300,000**	**$32,300,000**	**$124,100,000**

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

This fiscal note assumes the adoption of a constitutional amendment which eliminates the requirement for a deduction for federal income taxes paid, and on the enactment of a statutory bill that removes the deduction from the individual income tax statutes.

The effect of the bill's modifications to the individual income tax (tax table liability) was estimated utilizing an individual income tax micro-simulation model processing actual 2015 La tax return data. The results of that simulation was an estimated $4.6 million increase in aggregate 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 gains may 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 will approximate one-half of the annual tax year total, or $3.2 million. After that, revenue gains should stabilize toward full annual amounts. 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).

In addition, the bill repeals the refundable Citizens Insurance assessment tax credit (currently 25% of full value) and the nonrefundable child educational expenses tax credit ($25/child at full value). Repeal of these credits will generate additional net tax receipts of roughly $11 million and $17 million, respectively. Roughly 80% of these amounts will appear on returns in the fiscal year in which the first affected tax year ends, and 100% thereafter. Thus, the bill ramps up its total effect over three years.

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}

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