

2019 Regular Session

HOUSE BILL NO. 262

BY REPRESENTATIVE STOKES

TAX/INCOME TAX: Changes the rates and brackets for purposes of calculating individual income tax liability and eliminates or modifies certain deductions, exemptions, and credits

1 AN ACT
2 To amend and reenact R.S. 47:32(A), 79, 93(B), 241, 293(3)(c) and (10), 294, 295(B),
3 300.1, 300.6(A), and 300.7(A), to enact R.S. 47:55(6) and 293(3)(d) and
4 (9)(a)(xviii), and to repeal R.S. 47:55(5), 293(4) and (9)(a)(ii), 296.1(B)(3)(c),
5 297(D)(2), and 298, relative to the individual income tax; to provide for the
6 calculation of individual income tax liability; to provide for the rates and brackets
7 for individual income tax; to provide for certain deductions and credits; to reduce
8 certain deductions and credits; to reduce the amount of personal deductions and
9 personal exemptions and credits for dependents; to provide with respect to the
10 deduction for excess federal itemized personal deductions; to reduce the amount of
11 the deduction; to provide for certain requirements and limitations; to repeal the
12 deductibility of federal income taxes paid for purposes of calculating individual
13 income tax; to repeal the credit for certain educational expenses; to provide for
14 applicability; to provide for effectiveness; and to provide for related matters.

15 Be it enacted by the Legislature of Louisiana:

16 Section 1. R.S. 47:32(A), 79, 93(B), 241, 293(3)(c) and (10), 294, 295(B), 300.1,
17 300.6(A), and 300.7(A) are hereby amended and reenacted and R.S. 47:55(6) and 293(3)(d)
18 and (9)(a)(xviii) are hereby enacted to read as follows:

§32. Rates of tax

A. On individuals. The tax to be assessed, levied, collected and paid upon the taxable income of an individual shall be computed at the following rates:

(1) ~~Two percent~~ No tax shall be assessed on ~~that portion of the first twelve thousand five hundred dollars of net income which is in excess of the credits against net income provided for in R.S. 47:79;~~

(2) ~~Four percent on the next thirty-seven thousand five hundred dollars of net income;~~

~~(3) Six percent on any amount of net income in excess of fifty thousand dollars of net income. Three and ninety-five one-hundredths of one percent on net~~
income in excess of twelve thousand five hundred dollars.

* * *

§55. Deductions from gross income; taxes generally

In computing net income, there shall be allowed as deductions all taxes paid or accrued within the taxable year except:

* * *

(6) Federal income taxes paid on individual income.

* * *

§79. Credits of individuals against net income

A. Personal exemption.

~~(1) An exemption of twenty-five hundred dollars is allowed for the taxpayer; and an additional exemption of twenty-five hundred dollars is allowed for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse has no gross income and is not the dependent of another taxpayer for the calendar year in which the taxable year of the taxpayer begins. A person who occupied status as head of family during the entire taxable year is allowed an exemption of five thousand dollars.~~

(2) ~~In addition to the exemptions above provided for, an~~ An exemption of one thousand dollars is allowed for the taxpayer who is blind or who has sustained

1 the loss of one or more limbs or who has an intellectual disability or who is deaf. ~~As~~
2 ~~used herein the word~~ For purposes of this Section, the term "blind" shall mean and
3 ~~refer to persons who have been determined by a qualified ophthalmologist or~~
4 ~~optometrist to have no vision or to have vision which is insufficient for use in an~~
5 ~~occupation or activity for which sight is essential.~~ a person who, after examination
6 by a licensed physician skilled in diseases of the eye or by a licensed optometrist, has
7 been determined to have not more than 20/200 central visual acuity in the better eye
8 with correcting lenses, or an equally disabling loss of the visual field as evidenced
9 by a limitation to the field of vision in the better eye to such a degree that its widest
10 diameter subtends an angle of no greater than twenty degrees. ~~For purposes herein,~~
11 ~~the word~~ The term "deaf" shall be is defined as in Paragraph (B)(5) Subsection B of
12 this Section. Each person claiming an exemption under the provisions of this
13 ~~Paragraph~~ Section shall ~~be able to prove such the~~ claim by a certificate ~~of~~ from a
14 qualified physician or optometrist.

15 B. Credit Deductions for dependents.

16 (1) ~~In general. A credit of four hundred dollars is allowed for each~~
17 ~~dependent (as defined in Subsection C of this Section);~~

18 (a) ~~whose gross income for the calendar year in which the taxable year of the~~
19 ~~taxpayer begins is less than \$600 or~~

20 (b) ~~who is a child of the taxpayer and who (i) has not attained the age of~~
21 ~~nineteen at the close of the calendar year in which the taxable year of the taxpayer~~
22 ~~begins, or (ii) is a student.~~

23 (2) ~~Credit denied in case of certain married dependents. No credit is allowed~~
24 ~~under this Subsection for any dependent who has made a joint return with his spouse~~
25 ~~under R.S. 47:101(B), for the taxable year beginning in the calendar year in which~~
26 ~~the taxable year of the taxpayer begins.~~

27 (3) ~~Child defined. For purposes of this Subparagraph (B)(1)(b) of this~~
28 ~~Subsection, the term "child" means an individual who (within the meaning of~~

1 ~~Subsection C of this Section) is a son, stepson, daughter, or stepdaughter of the~~
2 ~~taxpayer.~~

3 ~~(4) Student and educational institution defined. For purposes of Item~~
4 ~~(B)(1)(b)(ii) of this Subsection, the term "student" means an individual who during~~
5 ~~each of five calendar months during the calendar year in which the taxable year of~~
6 ~~the taxpayer begins,~~

7 ~~(a) is a full-time student at an educational institution; or~~

8 ~~(b) is pursuing a full-time course of institutional on-farm training under the~~
9 ~~supervision of an accredited agent of an educational institution or of a state or~~
10 ~~political subdivision of a state. For purposes of this Subsection, the term~~
11 ~~"educational institution" means only an educational institution which normally~~
12 ~~maintains a regular faculty and curriculum and normally has a regularly organized~~
13 ~~body of students in attendance at the place where its educational activities are carried~~
14 ~~on.~~

15 ~~(5) Credit for certain dependents. (1) A credit deduction of one thousand~~
16 ~~dollars is allowed for each dependent as defined in Subsection C of this Section~~
17 ~~allowed in determining federal income tax liability who is blind or deaf or who has~~
18 ~~sustained the loss of one or more limbs or who has an intellectual disability. As~~
19 ~~herein used the word For purposes of this Section, the term "blind" shall be is~~
20 ~~defined as in Paragraph (A)(2) Subsection A of this Section. For purposes herein of~~
21 ~~this Section, the word term "deaf" shall mean and refer to persons whose hearing is~~
22 ~~so impaired that it is insufficient for use in an occupation or activity for which~~
23 ~~hearing is essential. The taxpayer claiming credit as herein provided the deduction~~
24 ~~as provided for in this Subsection shall be able to prove such the claim by a~~
25 ~~certificate of from a qualified physician or optometrist issued for each such~~
26 ~~dependent for which a credit deduction is claimed.~~

27 ~~(2) In addition to the deduction authorized in Paragraph (1) of this~~
28 ~~Subsection, an additional deduction of one thousand dollars shall be allowed for each~~
29 ~~dependent as allowed in determining federal income tax liability.~~

1 C. ~~Dependent defined.~~

2 ~~(1) General definition. For purposes of this Chapter, the term "dependent"~~
3 ~~means any of the following individuals over half of whose support, for the calendar~~
4 ~~year in which the taxable year of the taxpayer begins, was received from the taxpayer~~
5 ~~(or is treated under Paragraph (C)(3) of this Subsection as received from the~~
6 ~~taxpayer):~~

7 ~~(a) a son or daughter of the taxpayer, or a descendant of either;~~

8 ~~(b) a stepson or stepdaughter of the taxpayer;~~

9 ~~(c) a brother, sister, stepbrother, or stepsister of the taxpayer;~~

10 ~~(d) the father or mother of the taxpayer, or an ancestor of either;~~

11 ~~(e) a stepfather or stepmother of the taxpayer;~~

12 ~~(f) a son or daughter of a brother or sister of the taxpayer;~~

13 ~~(g) a brother or sister of the father or mother of the taxpayer;~~

14 ~~(h) a son-in-law, daughter-in-law, father-in-law, mother-in-law,~~

15 ~~brother-in-law, or sister-in-law of the taxpayer;~~

16 ~~(i) an individual who, for the taxable year of the taxpayer, has as his~~
17 ~~principal place of abode the home of the taxpayer and is a member of the taxpayer's~~
18 ~~household, or~~

19 ~~(j) an individual who,~~

20 ~~(i) is a descendant of a brother or sister of the father or mother of the~~
21 ~~taxpayer;~~

22 ~~(ii) for the taxable year of the taxpayer received institutional care required~~
23 ~~by reason of a physical or mental disability, and~~

24 ~~(iii) before receiving such institutional care, was a member of the same~~
25 ~~household as the taxpayer.~~

26 ~~(2) Rules relating to general definition. For purposes of this Section the rules~~
27 ~~set forth below will apply.~~

28 ~~(a) The terms "brother" and "sister" include a brother or sister by the~~
29 ~~halfblood.~~

1 (b) In determining whether any of the relationships specified in this Section
2 exists, a child legally adopted by an individual shall be treated as if he were the child
3 of such individual by blood.

4 (c) The term "dependent" does not include any individual who is not a citizen
5 of the United States unless such individual is a resident of the United States, of a
6 country contiguous to the United States, of the Canal Zone, or of the Republic of
7 Panama. The preceding sentence shall not exclude from the definition of
8 "dependent" any child of the taxpayer born to him, or legally adopted by him, in the
9 Philippine Islands before January 1, 1956, if the child is a resident of the Republic
10 of the Philippines, and if the taxpayer was a member of the Armed Forces of the
11 United States at the time the child was born to him or legally adopted by him.

12 (d) A payment to a wife which is includible in the gross income of the wife
13 under R.S. 47:42(C) shall not be treated as a payment by her husband for the support
14 of any dependent.

15 (3) Multiple support agreements. For purposes of Paragraph (C)(1) of this
16 Subsection, over half of the support of an individual for a calendar year shall be
17 treated as received from the taxpayer if:

18 (a) no one person contributed over half of such support;

19 (b) over half of such support was received from persons each of whom, but
20 for the fact that he did not contribute over half of such support, would have been
21 entitled to claim such individual as a dependent for a taxable year beginning in such
22 calendar year;

23 (c) the taxpayer contributed over ten per cent of such support; and

24 (d) each person described in Subparagraph (C)(3)(b) of this Section (other
25 than the taxpayer) who contributed over ten per cent of such support files a written
26 declaration (in such manner and form as the collector may by regulations prescribe)
27 that he will not claim such individual as a dependent for any taxable year beginning
28 in such calendar year.

~~(4) Special support test in case of students. Amounts received as scholarships for study at an educational institution by an individual who is:~~

~~(a) a son, stepson, daughter, or stepdaughter of the taxpayer (within the meaning of this Section), and~~

~~(b) a student, shall not be taken into account in determining whether such individual received more than half of his support from the taxpayer.~~

~~D. Exception for certain heads of families. If the taxpayer would not occupy the status of head of family except by reason of there being one or more dependents for whom he would be entitled to credit under Subsection C above the credit under such paragraph shall be disallowed with respect to one of such dependents.~~

E. Limitation on portion of credit deduction allowable. There shall be allowed only that portion of the credits deductions set forth in the ~~preceding~~ Subsections A and B of this Section which the net income of the individual taxable under this Chapter bears to the total net income of such individual.

* * *

§93. Period for which deductions and credits shall be taken

* * *

B. The proper year in which to claim deductions for federal income and excess profits taxes allowable under the provisions of R.S. 47:55 shall be determined as follows, regardless of the method of accounting regularly employed by the taxpayer:

(1) The amount of tax shown to be due upon the federal income tax return of the corporation and fiduciary taxpayer, as filed, shall be allowed as a deduction in on the state corporation and fiduciary income tax return for the same period as that for which such federal return is filed.

(2) Federal income and excess profits taxes paid after the filing of the federal return in addition to the amount disclosed to be due by the return as filed shall be allowed as a deduction ~~in~~ on the state corporation and fiduciary income tax return for that period if it is not prescribed. If it is prescribed, the deduction for such additional

1 taxes shall be allowed as a deduction ~~in~~ on the state return for the period in which
2 such additional tax is paid. ~~This Subsection shall apply to all such payments after~~
3 ~~December 31, 1973.~~

4 * * *

5 §241. Net income subject to tax

6 A. The net income of a nonresident individual ~~or a corporation~~ subject to the
7 tax imposed by this Chapter shall be the sum of the net allocable income earned
8 within or derived from sources within this state, as defined in R.S. 47:243, and the
9 net apportionable income derived from sources in this state, as defined in R.S.
10 47:244, ~~less the amount of federal income taxes attributable to the net allocable~~
11 ~~income and net apportionable income derived from sources in this state. The amount~~
12 ~~of federal income taxes to be so deducted shall be that portion of the total federal~~
13 ~~income tax which is levied with respect to the particular income derived from~~
14 ~~sources in this state to be computed in accordance with rules and regulations of the~~
15 ~~collector of revenue. Proper adjustment shall be made for the actual tax rates~~
16 ~~applying to different classes of income and for all differences in the computation of~~
17 ~~net income for purposes of federal income taxation as compared to the computation~~
18 ~~of net income under this Chapter. Where the allocation of the tax is to be based on~~
19 ~~a ratio of the amount of net income of a particular class, both the numerator and the~~
20 ~~denominator of the fraction used in determining the ratio shall be computed on the~~
21 ~~basis that such net income is determined for federal income tax purposes.~~

22 B. The net income of a corporation subject to the tax imposed by this
23 Chapter shall be the sum of the net allocable income earned within or derived from
24 sources within this state, as defined in R.S. 47:243, and the net apportionable income
25 derived from sources in this state, as defined in R.S. 47:244, less the amount of
26 federal income taxes attributable to the net allocable income and net apportionable
27 income derived from sources in this state. The amount of federal income taxes to be
28 deducted shall be that portion of the total federal income tax which is levied with
29 respect to the particular income derived from sources in this state to be computed in

1 accordance with rules and regulations of the collector of revenue. Proper adjustment
2 shall be made for the actual tax rates applying to different classes of income and for
3 all differences in the computation of net income for purposes of federal income
4 taxation as compared to the computation of net income under this Chapter. Where
5 the allocation of the tax is to be based on a ratio of the amount of net income of a
6 particular class, both the numerator and the denominator of the fraction used in
7 determining the ratio shall be computed on the basis that such net income is
8 determined for federal income tax purposes.

9 * * *

10 §293. Definitions

11 The following definitions shall apply throughout this Part, unless the context
12 requires otherwise:

13 * * *

14 (3) "Excess federal itemized personal deductions" for the purposes of this
15 Part, means the following percentages of the amount by which the federal itemized
16 personal deductions exceed the amount of federal standard deductions which is
17 designated for the filing status used for the taxable period on the individual income
18 tax return required to be filed:

19 * * *

20 (c) For ~~all~~ tax years beginning on and after January 1, 2009, but before
21 January 1, 2020, one hundred percent of such excess federal itemized personal
22 deductions.

23 (d) For tax years beginning on and after January 1, 2020, one hundred
24 percent of the amount of qualified residence interest on a Louisiana residence and
25 one hundred percent of the amount of charitable contributions used by the taxpayer
26 in the calculation of federal taxable income which exceed the amount of the federal
27 standard deduction designated for the filing status of the taxpayer used for the
28 taxable period on the individual income tax return of the taxpayer. For purposes of
29 this Paragraph, the term "qualified residence interest" has the meaning given to the

1 term in Section 163(h)(3) of the Internal Revenue Code and is subject to all
2 applicable federal limitations and the term "charitable contribution" has the meaning
3 given to the terms in Section 170 of the Internal Revenue Code and is subject to all
4 applicable limitations.

5 * * *

6 (9)(a) "Tax table income", for resident individuals, means adjusted gross
7 income plus interest on obligations of a state or political subdivision thereof, other
8 than Louisiana and its municipalities, title to which obligations vested with the
9 resident individual on or subsequent to January 1, 1980, and less:

10 * * *

11 (xviii) Louisiana state income tax refunds which are included in federal
12 adjusted gross income.

13 * * *

14 (10) "Tax table income", for nonresident individuals, means the amount of
15 Louisiana income, as provided in this Part, allocated and apportioned under the
16 provisions of R.S. 47:241 through 247, ~~plus the total amount of the personal~~
17 ~~exemptions and deductions already included in the tax tables promulgated by the~~
18 ~~secretary under authority of R.S. 47:295, less the proportionate amount of the~~
19 ~~federal income tax liability, excess federal itemized personal deductions, the~~
20 temporary teacher deduction, the recreation volunteer and volunteer firefighter
21 deduction, the construction code retrofitting deduction, any gratuitous grant, loan,
22 or other benefit directly or indirectly provided to a taxpayer by a hurricane recovery
23 entity if such benefit was included in federal adjusted gross income, the exclusion
24 provided for in R.S. 47:297.3 for S Bank shareholders, the deduction for expenses
25 disallowed by I.R.C. Section 280C, salaries, wages or other compensation received
26 for disaster or emergency-related work rendered during a declared state disaster or
27 emergency, the deduction for net capital gains, Louisiana state income tax refunds
28 which are included in federal adjusted gross income, and personal exemptions and
29 deductions provided for in R.S. 47:294. The proportionate amount is to be

determined by the ratio of Louisiana income to federal adjusted gross income. When federal adjusted gross income is less than Louisiana income, the ratio shall be one hundred percent.

* * *

§294. ~~Personal~~ Filing status; personal exemptions; ~~and credit deduction~~ for dependents

~~All personal exemptions and deductions for dependents allowed in determining federal income tax liability, including the extra exemption for the blind and aged, will be allowed in determining the tax liability in this Part.~~ Taxpayers are required to use the same filing status and claim the same exemptions on their return required to be filed under this Part as they used on their federal income tax return.

The amounts to be taken into consideration shall be as follows:

A. ~~A combined personal exemption and standard deduction in the following amounts:~~

a. ~~Single Individual~~ \$ 4500.00

b. ~~Married-Joint Return and a Qualified Surviving Spouse~~ \$ 9000.00

c. ~~Married-Separate~~ \$ 4500.00

d. ~~Head of Household~~ \$ 9000.00

~~B. An additional deduction of one thousand dollars shall be allowed for each allowable exemption in excess of those required to qualify for the exemption allowable under R.S. 47:294(A).~~

A. Personal Exemption. An exemption of one thousand dollars shall be allowed for a taxpayer who is blind or who has sustained the loss of one or more limbs or who has an intellectual disability or who is deaf. As used in this Section, the term "blind" shall mean and refer to a person who, after examination by a licensed physician skilled in diseases of the eye or by a licensed optometrist, has been determined to have not more than 20/200 central visual acuity in the better eye with correcting lenses, or an equally disabling loss of the visual field as evidenced by a limitation to the field of vision in the better eye to such a degree that its widest

1 diameter subtends an angle of no greater than twenty degrees. The term "deaf" is
2 defined in Subsection B of this Section. Each person claiming an exemption under
3 the provisions of this Section shall prove the claim by a certificate from a qualified
4 physician or optometrist.

5 B. Deductions for dependents. (1) A deduction of one thousand dollars shall
6 be allowed for each dependent allowed in determining federal income tax liability
7 who is blind or deaf or who has sustained the loss of one or more limbs or who has
8 an intellectual disability. For purposes of this Section, the term "deaf" shall mean
9 and refer to persons whose hearing is so impaired that it is insufficient for use in an
10 occupation or activity for which hearing is essential. The term "blind" is defined in
11 Subsection A of this Section. The taxpayer claiming the deduction authorized in this
12 Subsection shall prove the claim by a certificate from a qualified physician or
13 optometrist issued for each dependent for which a deduction is claimed.

14 (2) In addition to the deduction authorized in Paragraph (1) of this
15 Subsection, an additional deduction of one thousand dollars shall be allowed for each
16 dependent as allowed in determining federal income tax liability.

17 C. Limitation on portion of deduction allowable. There shall be allowed only
18 that portion of the deductions set forth in this Section which the net income of the
19 individual taxable under this Chapter bears to the total net income of the individual.

20 §295. Tax imposed on individuals; administration

21 * * *

22 B. The secretary shall establish tax tables that calculate the tax owed by
23 taxpayers based upon where their taxable income falls within a range that shall not
24 exceed two hundred fifty dollars. ~~The secretary shall provide in the tax tables that~~
25 ~~the combined personal exemption, standard deduction, and other exemption~~
26 ~~deductions in R.S. 47:294 shall be deducted from the two percent bracket. If such~~
27 ~~combined exemptions and deductions exceed the two percent bracket, the excess~~
28 ~~shall be deducted from the four percent bracket. If such combined exemptions and~~

~~deductions exceed the two and four percent brackets, the excess shall be deducted from the six percent bracket.~~

3 * * *

4 §300.1. Tax imposed

5 There is imposed an income tax for each taxable year upon the Louisiana
6 taxable income of every estate or trust, whether resident or nonresident. The tax to
7 be assessed, levied, collected, and paid upon the Louisiana taxable income of an
8 estate or trust shall be computed at the following rates:

9 (1) ~~Two percent on the first ten thousand dollars~~ No tax shall be assessed on
10 the first twelve thousand five hundred dollars of Louisiana taxable income.

11 (2) ~~Four percent on the next forty thousand dollars of Louisiana taxable~~
12 ~~income.~~

(3) ~~Six percent on Louisiana taxable income in excess of fifty thousand~~
~~dollars. Three and ninety-five one hundredths of one percent on Louisiana taxable~~
income in excess of twelve thousand five hundred dollars.

16 * * *

17 §300.6. Louisiana taxable income of resident estate or trust

A. Definition. "Louisiana taxable income" of a resident estate or trust means the taxable income of the estate or trust determined in accordance with federal law for the same taxable year, as specifically modified by the provisions contained in Subsection B of this Section, less a federal income tax deduction to be computed ~~following the provisions of R.S. 47:287.83 and 287.85.~~ in accordance with the following provisions:

(1) In computing Louisiana taxable income, no federal income tax deduction shall be allowed on net income upon which no Louisiana income tax has been incurred, or upon which, for any reason whatsoever, no Louisiana income tax will be paid. When computing Louisiana taxable income, the secretary may consider reductions to the federal income tax deduction in accordance with the provisions of this Paragraph.

(2) The alternative minimum tax is a federal income tax deductible to the extent that it is applicable to regular federal taxable income. Any alternative minimum tax paid on tax preference items shall not be deductible. In accordance with the provisions of this Paragraph, the secretary may determine the deductible portion of the alternative minimum tax.

(3) For purposes of this Section, federal income taxes shall include taxes based on net income, accumulated earnings, war profits, excess profits, personal holding company income, and tax from recomputation of investment credit. For purposes of federal income taxation as compared to the computation of net income under this Part, proper adjustment shall be made for the actual tax rates as applied to different classes of income and for all differences in the computation of net income. The amount of the federal income tax deduction shall be that portion of the total federal income tax, after application of all credits, which is levied on income derived solely from sources in this state as computed under the rules and regulations prescribed by the secretary.

(4) As used in this Subsection, the term "credits" shall not include overpayments of prior year taxes allowed as a credit, estimated tax payments or similar prepayments, credit for prior year alternative minimum tax that is allowed as a credit against the current regular federal income tax, or federal income tax credits determined by the secretary to be presidential disaster area disaster relief credits.

* * *

§300.7. Louisiana taxable income of nonresident estate or trust

A. Definition. "Louisiana taxable income" of a nonresident estate or trust means ~~such~~ the portion of the taxable income of the nonresident estate or trust determined in accordance with federal law for the same taxable year, as specifically modified by the provisions contained in Subsection C of this Section, that was earned within or derived from sources within this state, less a federal income tax deduction to be computed following the provisions of ~~R.S. 47:287.83 and 287.85~~ R.S. 47:300.6.

* * *

1 Section 2. R.S. 47:55(5), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(D)(2), and 298
2 are hereby repealed in their entirety.

3 Section 3. The provisions of this Act shall be applicable to all taxable periods
4 beginning on and after January 1, 2020.

5 Section 4. This Act shall become effective on January 1, 2020, if the proposed
6 amendment of Article VII of the Constitution of Louisiana contained in the Act which
7 originated as House Bill No. ____ of this 2019 Regular Session of the Legislature is adopted
8 at a statewide election and becomes effective.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 262 Original

2019 Regular Session

Stokes

Abstract: Changes the rates and brackets for purposes of calculating individual income tax liability and estates and trusts income tax liability, eliminates the standard and certain dependency deductions, and modifies the deduction for excess federal itemized personal deductions.

Present law provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at the following rates:

- (1) 2% on the first \$12,500 of net income;
- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

Proposed law reduces individual income tax rates as follows:

- (1) From 2% on the first \$12,500 of net income to 0% on the first \$12,500 of net income.
- (2) From 4% on the next \$37,500 of net income and 6% on net income in excess of \$50,000 to 3.95% on net income in excess of \$12,500.

Present law provides that all personal exemptions and deductions for dependents allowed in determining federal income tax liability shall be allowed in determining La. tax liability. Further provides for a combined personal exemption of \$4,500 for single, individual filers, \$9,000 for married, joint filers, \$4,500 for married, separate filers, and \$9,000 for filers who are the head of household.

Proposed law repeals present law.

Present law authorizes a credit of \$400 for each dependent who meets certain criteria.

Proposed law repeals present law in favor of a \$1,000 deduction for each dependent as defined in present law.

Present law authorizes an additional deduction of \$1,000 for each allowable exemption in excess of those required to qualify for the exemption allowable under present law. (R.S. 47:294(A))

Present law requires the secretary to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that does not exceed \$250. Further requires the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemption deductions in present law which is deducted from the 2% bracket. If the combined exemptions and deductions exceed the 2% bracket, the excess is deducted from the 4% bracket, and then the 6% bracket.

Proposed law deletes the provisions authorizing the combined personal exemption, standard deduction, and other exemption deductions to be deducted from the income tax brackets.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Excess federal itemized personal deductions is defined as 100% of the amount by which the federal itemized personal deductions exceed the amount of federal standard deduction designated for the filing status used for the taxable period on the individual income tax return.

Proposed law changes present law to limit the expenses eligible to be claimed on a state return to 100% of the amount of qualified residence interest on a La. residence and 100% of the amount of charitable contributions used by the taxpayer in the calculation of federal taxable income which exceed the amount of the federal standard deduction.

Proposed law defines the terms "qualified residence interest" and "charitable contribution" to have the meanings ascribed to them in federal law.

Present law defines "tax table income" for resident individuals as the adjusted gross income plus interest on certain state or political subdivision obligations less items such as gratuitous grants, loans, or other disaster benefits included in federal adjusted gross income, federal income tax liability, amount deposited into medical or educational savings accounts, and excess personal exemptions and deductions.

Proposed law retains present law but adds to the list of income not included in "tax table income" state income tax refunds which are included in federal adjusted gross income.

Present law authorizes an \$18 per child tax credit for educational expenses incurred before Jan. 1, 2017, for each child attending kindergarten, elementary, or secondary school kindergarten through twelfth grade located in La.. This credit is not applicable if the taxpayer claimed the deduction for educational expenses provided for in present law for the child.

Proposed law repeals the \$18 per child tax credit for educational expenses incurred before Jan. 1, 2017.

Present constitution and present law authorize a state deduction for federal income taxes paid for purposes of computing income taxes for the same period.

Proposed law repeals the present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual and estate and trust income taxes.

Present law provides for the computation of La. taxable income for a resident estate or trust, including provisions for the federal income tax deduction, limitations of deductions for net income, provisions for the federal deduction for alternative minimum tax, and the authority

of the secretary of the Dept. of Revenue to consider reductions to the federal income tax deduction and the determination of the deductible portion of an alternative minimum tax.

Proposed law retains present law except as it applies to the deductibility of federal income taxes.

Present law provides for a tax to be assessed, levied, collected, and paid on the La. taxable income of an estate or trust at the following rates:

- (1) 2% on the first \$10,000 of La. taxable income.
- (2) 4% on the next \$40,000 of La. taxable income.
- (3) 6% on La. taxable income in excess of \$50,000.

Proposed law changes income tax rates on estates and trusts as follows:

- (1) From 2% on the first \$10,000 of La. taxable income to 0% on the first \$12,500 of La. taxable income.
- (2) From 4% on the next \$40,000 of La. taxable income and 6% on net income in excess of \$50,000 to 3.95% on La. taxable income in excess of \$12,500.

Applicable to all taxable periods beginning on and after Jan. 1, 2020.

Effective on Jan. 1, 2020, if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ____ of this 2019 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 79, 93(B), 241, 293(3)(c), and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:55(6) and 293(3)(d) and (9)(a)(xviii); Repeals R.S. 47:55(5), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(D)(2), and 298)