

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 416** HLS 19RS 756  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 28, 2019 3:15 PM	<b>Author:</b> IVEY
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Individual Income Tax	

TAX/INCOME TAX OR -\$178,000,000 GF RV See Note Page 1 of 1  
 Provides for a flat tax rate for purposes of calculating individual income tax and modifies other income tax credits and deductions

Proposed law modifies the individual income tax to provide a 4% flat tax rate on net income (from the 2%, 4%, 6% current rates), to eliminate the deduction for federal income taxes paid, to raise the standard deduction / personal exemption to \$12,500 / \$25,000 (from the \$4,500 / \$9,000 current levels), and to limit the excess federal itemized deduction to amounts over \$12,500 / \$25,000 depending on filing status, and excluding state income tax refunds from the deduction.

Effective for tax periods beginning on and after January 1, 2020.

Contingent upon adoption of a constitutional amendment contained in House Bill \_\_\_\_ of this session.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$87,000	\$0	\$0	\$0	\$0	<b>\$87,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$87,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,000</b>

  

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	(\$160,000,000)	(\$178,000,000)	(\$178,000,000)	(\$178,000,000)	<b>(\$694,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$160,000,000)</b>	<b>(\$178,000,000)</b>	<b>(\$178,000,000)</b>	<b>(\$178,000,000)</b>	<b>(\$694,000,000)</b>

**EXPENDITURE EXPLANATION**

Implementation of this proposal will result in approximately \$51,000 of programming, testing and system development costs related to the revision of the affected tax returns. The cost also includes estimated expenses of \$36,000 from LDR's Revenue Processing Center (RPC) to update equipment and software to process the revised return in FY 2019-2020. LDR will also be required to promulgate new rules to issue revised withholding tables and tax tables as required by R.S. 47:295.

**REVENUE EXPLANATION**

The bill is estimated to result in an aggregate annual liability reduction of \$178 million. This estimate is generated by a micro-simulation model processing 2017 resident individual income tax data. The model incorporates the significant federal income tax changes effective for the 2018 tax year. The Dept. of Rev indicates that return filing patterns for the individual income tax result in approximately 90% of returns received in a fiscal year's filing season are from the immediately preceding tax year, with the remaining 10% following in the next fiscal year's filing season. Thus, the FY21 liability effect is estimated as a \$160 million loss, with the full liability loss occurring in FY22 and each year thereafter.

Due largely to the lack of data associated with the federal tax law changes, the estimate does not account for the exclusion of state income tax refunds from excess federal itemized deductions (which should dampen the liability loss somewhat). However, nonresident returns as well as estates/trusts returns are not modeled (which should enhance the liability loss somewhat). Also, there has been no accounting for changes in withholding requirements, which are likely to be made given the broad applicability of these changes across taxpayers. Withholding changes would likely have a material effect on the actual fiscal year receipts associated with the tax year liability changes. Consequently, especially with regard to the effects of the federal tax law changes and the effects of withholding changes, the specific estimated effects of the bill by fiscal year can not be considered reliable.

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**  
**Legislative Fiscal Officer**