

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

15 Be it enacted by the Legislature of Louisiana:

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

1 §32. Rates of tax

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

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

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

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

12 * * *

13 §293. Definitions

14 The following definitions shall apply throughout this Part, unless the context
15 requires otherwise:

16 * * *

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

22 * * *

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

26 (d) For tax years beginning on and after January 1, 2020, one hundred
27 percent of the amount of qualified residence interest on a Louisiana residence and
28 one hundred percent of the amount of charitable contributions used by the taxpayer
29 in the calculation of federal taxable income which exceed the amount of the federal

1 or other benefit directly or indirectly provided to a taxpayer by a hurricane recovery
 2 entity if such benefit was included in federal adjusted gross income, the exclusion
 3 provided for in R.S. 47:297.3 for S Bank shareholders, the deduction for expenses
 4 disallowed by I.R.C. Section 280C, salaries, wages or other compensation received
 5 for disaster or emergency-related work rendered during a declared state disaster or
 6 emergency, the deduction for net capital gains, Louisiana state income tax refunds
 7 which are included in federal adjusted gross income, and personal exemptions and
 8 deductions provided for in R.S. 47:294. The proportionate amount is to be
 9 determined by the ratio of Louisiana income to federal adjusted gross income. When
 10 federal adjusted gross income is less than Louisiana income, the ratio shall be one
 11 hundred percent.

* * *

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

15 ~~All personal exemptions and deductions for dependents allowed in~~
 16 ~~determining federal income tax liability, including the extra exemption for the blind~~
 17 ~~and aged, will be allowed in determining the tax liability in this Part.~~ Taxpayers are
 18 required to use the same filing status and claim the same exemptions on their return
 19 required to be filed under this Part as they used on their federal income tax return.
 20 The amounts to be taken into consideration shall be as follows:

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

- 23 a. ~~Single Individual~~ _____ \$ 4500.00
- 24 b. ~~Married-Joint Return and a Qualified Surviving Spouse~~ \$ 9000.00
- 25 c. ~~Married-Separate~~ _____ \$ 4500.00
- 26 d. ~~Head of Household~~ _____ \$ 9000.00

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

1 ~~the combined personal exemption, standard deduction, and other exemption~~
2 ~~deductions in R.S. 47:294 shall be deducted from the two percent bracket. If such~~
3 ~~combined exemptions and deductions exceed the two percent bracket, the excess~~
4 ~~shall be deducted from the four percent bracket. If such combined exemptions and~~
5 ~~deductions exceed the two and four percent brackets, the excess shall be deducted~~
6 ~~from the six percent bracket.~~

7 * * *

8 §300.1. Tax imposed

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

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

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

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

20 * * *

21 §300.6. Louisiana taxable income of resident estate or trust

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

28 (1) In computing Louisiana taxable income, no federal income tax deduction
29 shall be allowed on net income upon which no Louisiana income tax has been

1 incurred, or upon which, for any reason whatsoever, no Louisiana income tax will
2 be paid. When computing Louisiana taxable income, the secretary may consider
3 reductions to the federal income tax deduction in accordance with the provisions of
4 this Paragraph.

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

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

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

25 * * *

26 §300.7. Louisiana taxable income of nonresident estate or trust

27 A. Definition. "Louisiana taxable income" of a nonresident estate or trust
28 means ~~such~~ the portion of the taxable income of the nonresident estate or trust
29 determined in accordance with federal law for the same taxable year, as specifically

\$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 the 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), 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:293(3)(d) and (9)(a)(xviii); Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A) and (D)(2), and 298)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Technical amendments to delete repetitive provisions regarding the personal exemption and dependency deductions that were superceded by the enactment of newer provisions in present law.
2. Technical amendments to clarify the elimination of the deductibility of federal income taxes paid.