

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



Fiscal Note On: **HB 89** HLS 202ES 318  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> October 12, 2020 4:15 PM	<b>Author:</b> JAMES
<b>Dept./Agy.:</b> Revenue	
<b>Subject:</b> Federal Disaster Losses: FIT Deduction	<b>Analyst:</b> Benjamin Vincent

TAX/INCOME TAX OR DECREASE GF RV See Note Page 1 of 1  
 Modifies the definition of "federal income tax liability" to include certain federal net disaster losses (Item #26)

Current law provides a state income tax deduction for federal income taxes paid. For the purposes of calculating state taxable income, current law utilizes a calculation of taxable income for each taxpayer that is similar to federal adjusted gross income, with certain modifications.

Proposed law provides that for tax years 2019 and 2020, claimants of the federal itemized deduction for certain net disaster losses shall have their federal income tax liability (for state income tax purposes) increased by the amount which the credit reduced their federal income tax due to the United States.

Effective upon governor's signature.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Annual Total</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The LA Department of Revenue (LDR) reports no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

Proposed law would increase the amount reported as federal income tax liability, thereby increasing the amount deductible against state income tax liability, via the deduction for federal income taxes paid, and reduce state tax revenue by some unknown amount. Application to the current tax year (2020) results in lower current tax liabilities. Application to the prior tax year (2019) results in refunds from current tax receipts.

LDR reports that this approach has been used twice since 2005. Federal law provides that affected taxpayers in federally-declared disaster areas may claim disaster-related casualty losses on their federal income tax return for either the year in which the event occurred, or the year prior. These losses are claimed as an itemized deduction and subject to certain limitations (reductions to the deduction of \$100 and 10% of AGI).

To the extent these losses are claimed due to Hurricanes Laura and Delta, and are applied toward the Federal Income Tax deduction (which is not subject to the \$100 and 10% of AGI limitations) instead of the Excess Itemized Tax deduction (which is subject to the limitations), proposed law would increase the amount of deduction available to be claimed for the purpose of calculating state income tax liability.

The result of proposed law would be an indeterminable decrease in state general fund revenues in FY21 and FY22. The magnitude of the decrease will depend on the total amount of net disaster losses claimed by itemizers and their federal income tax rate. Due to the recent increase in the federal standard deduction, net disaster loss deductions may not be sufficient to cause some affected taxpayers to itemize. Taxpayers that utilize the standard deduction would not receive a larger deduction, mitigating the negative revenue impact of this bill to some extent.

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}

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