

2021 Regular Session

HOUSE BILL NO. 171

BY REPRESENTATIVE ZERINGUE

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

1 AN ACT
2 To amend and reenact R.S. 47:32(A), 241, 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1,
3 300.6(A), and 300.7(A) and to repeal R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c),
4 297(A), and 298, relative to the individual income tax; to provide for the calculation
5 of individual income tax liability; to provide for the rates and brackets for individual
6 income tax; to provide for the rates and brackets for income on estates and trusts; to
7 provide for certain deductions and credits; to reduce certain deductions and credits;
8 to reduce the amount allowed for personal exemptions and credits for dependents;
9 to repeal the deductibility of federal income taxes paid for purposes of calculating
10 income taxes for individuals, estates, and trusts; to repeal the deduction for excess
11 federal itemized personal deductions; to provide for applicability; to provide for an
12 effective date; and to provide for related matters.

13 Be it enacted by the Legislature of Louisiana:

14 Section 1. R.S. 47:32(A), 241, 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1,
15 300.6(A), and 300.7(A) are hereby amended and reenacted to read as follows:

16 §32. Rates of tax

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

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

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

6 (3) ~~Six percent on any amount of net income in excess of fifty thousand~~
7 ~~dollars of net income~~ Four percent on net income in excess of twelve thousand five
8 hundred dollars.

9 * * *

10 §241. Net income subject to tax

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

27 * * *

1 §293. Definitions

2 The following definitions shall apply throughout this Part, unless the context
3 requires otherwise:

4 * * *

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

10 (a) For tax years beginning during calendar year 2007, fifty-seven and one
11 half percent of such excess federal itemized personal deductions.

12 (b) For tax years beginning during calendar year 2008, sixty-five percent of
13 such excess federal itemized personal deductions.

14 (c) For ~~all~~ tax years beginning on ~~and~~ or after January 1, 2009, but before
15 January 1, 2023, one hundred percent of such excess federal itemized personal
16 deductions.

17 (d) For tax years beginning on or after January 1, 2023, no excess federal
18 itemized personal deductions shall be allowed pursuant to this Paragraph.

19 * * *

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

24 * * *

25 (iv) ~~The excess, if any, of the personal exemptions and deductions provided~~
26 ~~for in R.S. 47:294 over the amount of the personal exemptions and deductions~~
27 ~~already included in the tax tables promulgated by the secretary under authority of~~
28 ~~R.S. 47:295~~ The personal and dependent deductions provided for in R.S. 47:294.

29 * * *

1 (10) "Tax table income", for nonresident individuals, means the amount of
2 Louisiana income, as provided in this Part, allocated and apportioned under the
3 provisions of R.S. 47:241 through 247, ~~plus the total amount of the personal~~
4 ~~exemptions and deductions already included in the tax tables promulgated by the~~
5 ~~secretary under authority of R.S. 47:295~~, less the proportionate amount of the federal
6 ~~income tax liability, excess federal itemized personal deductions, the temporary~~
7 teacher deduction, the recreation volunteer and volunteer firefighter deduction, the
8 construction code retrofitting deduction, any gratuitous grant, loan, or other benefit
9 directly or indirectly provided to a taxpayer by a hurricane recovery entity if such
10 benefit was included in federal adjusted gross income, the exclusion provided for in
11 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by 26
12 U.S.C. 280C, salaries, wages or other compensation received for disaster or
13 emergency-related work rendered during a declared state disaster or emergency, the
14 deduction for net capital gains, the pass-through entity exclusion provided in R.S.
15 47:297.14, and personal exemptions and deductions provided for in R.S. 47:294. The
16 proportionate amount is to be determined by the ratio of Louisiana income to federal
17 adjusted gross income. When federal adjusted gross income is less than Louisiana
18 income, the ratio shall be one hundred percent.

* * *

20 §294. Filing status; personal ~~Personal~~ exemptions; ~~and credit~~ deductions for
21 dependents

22 ~~All personal exemptions and deductions for dependents allowed in~~
23 ~~determining federal income tax liability, including the extra exemption for the blind~~
24 ~~and aged, will be allowed in determining the tax liability in this Part.~~

25 A. Taxpayers are required to use the same filing status and claim the same
26 exemptions on their return required to be filed under this Part as they used on their
27 federal income tax return. ~~The amounts to be taken into consideration shall be as~~
28 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).~~

B.(1) An exemption of one thousand dollars shall be allowed for a taxpayer who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability.

(2) Each person claiming an exemption pursuant to the provisions of this Subsection shall provide proof of a claim by providing a certificate from a qualified physician or optometrist.

C.(1)(a) A deduction of one thousand dollars shall be allowed for each dependent allowed in determining federal income tax liability who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability.

(b) The taxpayer claiming the deduction authorized in this Paragraph shall provide proof of a claim by providing a certificate from a qualified physician or optometrist issued for each dependent for which a deduction is claimed.

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

D. As used in this Section, the following terms shall have the definitions ascribed to them, unless the context indicates otherwise:

(1) "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

1 with correcting lenses, or an equally disabling loss of the visual field as evidenced
2 by a limitation to the field of vision in the better eye to such a degree that its widest
3 diameter subtends an angle of no greater than twenty degrees.

4 (2) "Deaf" shall mean and refer to a person whose hearing is so impaired that
5 it is insufficient for use in an occupation or activity for which hearing is essential.

6 §295. Tax imposed on individuals; administration

7 * * *

8 B. The secretary shall establish tax tables that calculate the tax owed by
9 taxpayers based upon where their taxable income falls within a range that shall not
10 exceed two hundred fifty dollars. The secretary shall provide in the tax tables that
11 the combined personal exemption, standard deduction, and other exemption
12 deductions in R.S. 47:294 shall be deducted from the ~~two percent~~ lower bracket. If
13 ~~such the~~ combined exemptions and deductions exceed the ~~two percent~~ lower bracket,
14 the excess shall be deducted from the ~~four percent~~ higher bracket. ~~If such combined~~
15 ~~exemptions and deductions exceed the two and four percent brackets, the excess~~
16 ~~shall be deducted from the six percent bracket.~~

17 * * *

18 §300.1. Tax imposed

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

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

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

1 ~~(3) Six percent on Louisiana taxable income in excess of fifty thousand~~
2 ~~dollars~~ Four percent on Louisiana taxable income in excess of twelve thousand five
3 hundred dollars.

4 * * *

5 §300.6. Louisiana taxable income of resident estate or trust

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

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

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

23 (3) For purposes of this Section, federal income taxes shall include taxes
24 based on net income, accumulated earnings, war profits, excess profits, personal
25 holding company income, and tax from recomputation of investment credit. For
26 purposes of federal income taxation as compared to the computation of net income
27 under this Part, proper adjustment shall be made for the actual tax rates as applied
28 to different classes of income and for all differences in the computation of net
29 income. The amount of the federal income tax deduction shall be that portion of the

1 total federal income tax, after application of all credits, which is levied on income
2 derived solely from sources in this state as computed under the rules prescribed by
3 the secretary.

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

9 * * *

10 §300.7. Louisiana taxable income of nonresident estate or trust

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

17 * * *

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

20 Section 3. The provisions of this Act shall be applicable to taxable periods beginning
21 on or after January 1, 2023.

22 Section 4. This Act shall take effect and become operative if and when the proposed
23 amendment of Article VII of the Constitution of Louisiana contained in the Act which
24 originated as House Bill No. ____ of this 2021 Regular Session of the Legislature is adopted
25 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 171 Original

2021 Regular Session

Zeringue

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

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 changes 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% in excess of \$50,000 to 4% 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 and instead provides a \$1,000 deduction for each dependent as defined in present law.

Present law provides that 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 present law.

Proposed law provides an exemption of \$1,000 for a taxpayer who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability. Provides a deduction of \$1,000 for each dependent allowed, in determining federal income tax liability, who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability. Additionally, provides a deduction of \$1,000 for each dependent as allowed in determining federal income tax liability. Provides definitions and requirements for claiming the exemptions.

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 changes present law by authorizing the combined personal exemption, standard deduction, and other exemption deductions to be deducted from the lowest income tax bracket.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. The term "excess federal itemized personal deductions" is defined to mean 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 repeals present law that allows taxpayers to deduct excess federal itemized personal deductions on their state individual income tax returns beginning Jan. 1, 2022.

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 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. Provides that no federal income tax deduction is allowed on net income upon which no La. income tax was incurred or upon which no income tax will be paid.

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% in excess of \$50,000 to 4% on La. taxable income in excess of \$12,500.

Applicable to taxable periods beginning on or after Jan. 1, 2023.

Effective 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 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A), and 298)