

2021 Regular Session

HOUSE BILL NO. 278

BY REPRESENTATIVE BISHOP AND SENATOR ALLAIN

TAX/INCOME TAX: Reduces the tax rates for purpose of calculating individual income tax liability and eliminates and modifies certain income tax deductions

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 241, 293(3) and (10), 295(B) and 296.1(B)(3)(c) and
3 (d) and to repeal R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(e), and 298, relative to
4 the individual income tax; to reduce the rates for purposes of calculating individual
5 income tax liability; to repeal the deductibility of federal income taxes paid for
6 purposes of calculating individual income tax; to provide with respect to the
7 deduction for excess federal itemized personal deductions; to provide for certain
8 requirements and limitations; to provide for applicability; to provide for an effective
9 date; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 47:32(A), 241, 293(3) and (10), 295(B) and 296.1(B)(3)(c) and (d)
12 are hereby amended and reenacted to read as follows:

13 §32. Rates of tax

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

16 (1) ~~Two~~ One and eighty-five one hundredths of one percent on that portion
17 of the first twelve thousand five hundred dollars of net income which is in excess of
18 the credits against net income provided for in R.S. 47:79~~;~~

19 (2) ~~Four~~ Three and fifty-one hundredths of one percent on the next thirty-
20 seven thousand five hundred dollars of net income~~;~~

1 (3) ~~Six~~ Four and twenty-five one hundredth of one percent on any amount
2 of net income in excess of fifty thousand dollars of net income.

3 * * *

4 §241. Net income subject to tax

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

21 * * *

22 §293. Definitions

23 The following definitions shall apply throughout this Part, unless the context
24 requires otherwise:

25 * * *

26 (3) "Excess federal itemized personal deductions" for the purposes of this
27 Part, means ~~the following percentages~~ one hundred percent of the amount by which
28 the federal itemized personal ~~deductions exceed~~ deduction for expenses for medical
29 care used by the taxpayer in the calculation of federal taxable income exceeds the

1 amount of the federal standard deductions which deduction that is designated for the
2 filing status used for the taxable period on the individual income tax return required
3 to be filed: For purposes of this Paragraph, the term "expenses for medical care" has
4 the meaning given the term in Section 213(d) of the Internal Revenue Code and is
5 subject to all applicable federal limitations.

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

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

10 (c) ~~For all tax years beginning on and after January 1, 2009, one hundred~~
11 ~~percent of such excess federal itemized personal deductions.~~

12 * * *

13 (10) "Tax table income", for nonresident individuals, means the amount of
14 Louisiana income, as provided in this Part, allocated and apportioned under the
15 provisions of R.S. 47:241 through 247, plus the total amount of the personal
16 exemptions and deductions already included in the tax tables promulgated by the
17 secretary under authority of R.S. 47:295, less the ~~proportionate amount of the federal~~
18 ~~income tax liability~~, excess federal itemized personal deductions, the temporary
19 teacher deduction, the recreation volunteer and volunteer firefighter deduction, the
20 construction code retrofitting deduction, any gratuitous grant, loan, or other benefit
21 directly or indirectly provided to a taxpayer by a hurricane recovery entity if such
22 benefit was included in federal adjusted gross income, the exclusion provided for in
23 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by 26
24 U.S.C. 280C, salaries, wages or other compensation received for disaster or
25 emergency-related work rendered during a declared state disaster or emergency, the
26 deduction for net capital gains, the pass-through entity exclusion provided in R.S.
27 47:297.14, and personal exemptions and deductions provided for in R.S. 47:294. The
28 proportionate amount is to be determined by the ratio of Louisiana income to federal

1 adjusted gross income. When federal adjusted gross income is less than Louisiana
2 income, the ratio shall be one hundred percent.

3 * * *

4 §295. Tax imposed on individuals; administration

5 * * *

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

16 * * *

17 §296.1. No-return option

18 * * *

19 B. The secretary is authorized pursuant to the Administrative Procedure Act
20 to promulgate rules and regulations that:

21 * * *

22 (3) Establish special withholding tax tables that take into account:

23 * * *

24 (c) ~~The federal income tax deduction.~~

25 ~~(d)~~ Those tax credits that the secretary deems compatible with the efficient
26 implementation and administration of the no-return option program.

27 ~~(e)~~(d) The tax rates set forth in R.S. 47:32.

28 * * *

29 Section 2. R.S. 47:293(4) and (9)(a)(ii) and 298 are hereby repealed in their entirety.

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

3 Section 4. This Act shall take effect and become operative on January 1, 2023, if the
4 proposed amendment of Article VII of the Constitution of Louisiana contained in the Act
5 which originated as House Bill No. ___ of this 2021 Regular Session of the Legislature is
6 adopted 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 278 Original

2021 Regular Session

Bishop

Abstract: Reduces the rates for purposes of calculating individual income tax liability, eliminates the deduction for federal income taxes paid for individuals, and limits the deduction for excess federal itemized personal deductions to certain medical care expenses.

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 1.85% on the first \$12,500 of net income.
- (2) From 4% on the next \$37,500 of net income to 3.51% on the next \$37,500 of net income.
- (3) From 6% on net income in excess of \$50,000 to 4.25% on net income in excess of \$50,000.

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 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 expenses for medical care used by the taxpayer in the calculation of federal taxable income that exceed the amount of the federal standard deduction.

Proposed law defines the term "expenses for medical care" to have the meaning ascribed to it in federal law.

Present constitution and present law authorize a mandatory 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 income taxes.

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. If the combined exemptions and deductions exceed the lowest bracket, the excess is deducted from the next lowest bracket.

Proposed law is applicable to taxable periods beginning on or after Jan. 1, 2023.

Effective on Jan. 1, 2023, 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) and (10), 295(B) and 296.1(B)(3)(c) and (d); Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(e), and 298)