HLS 21RS-215 ORIGINAL

2021 Regular Session

HOUSE BILL NO. 475

1

BY REPRESENTATIVE NELSON

TAX/INCOME TAX: Phases-out the taxes levied on the income of individuals and estates and trusts and reduces the amount of exemptions, deductions, and credits that may be claimed to reduce income tax liability

AN ACT

2 To amend and reenact R.S. 47:32(A), 241, 293(10), 300.1, 300.6(A), and 300.7(A), to enact 3 R.S. 47:32.1 and 300.12, and to repeal R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), 4 and 298, relative to individual income taxes; to provide for the rate of the individual 5 income tax; to provide for a reduction and eventual elimination of the individual 6 income tax; to provide for the rate of the income tax levied on estates and trusts; to 7 provide for a reduction and eventual elimination of the income taxes levied on 8 estates and trusts; to provide for the claiming of income tax exemptions, deductions, 9 and credits for individuals and estates and trusts; to repeal the deductibility of federal 10 income taxes paid for purposes of calculating income tax liability for individuals and 11 estates and trusts; to provide for applicability; to provide for an effective date; and 12 to provide for related matters. 13 Be it enacted by the Legislature of Louisiana: 14 Section 1. R.S. 47:32(A), 241, 293(10), 300.1, 300.6(A), and 300.7(A) are hereby 15 amended and reenacted and R.S. 47:32.1 and 300.12 are hereby enacted to read as follows: 16 §32. Rates of tax 17 A.(1) On individuals. Until January 1, 2023, the The tax to be assessed, 18 levied, collected and paid upon the taxable income of an individual shall be 19 computed at the following rates:

Page 1 of 10

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	(1)(a) Two percent on that portion of the first twelve thousand five hundred
2	dollars of net income which is in excess of the credits against net income provided
3	for in R.S. 47:79 ; .
4	(2)(b) Four percent on the next thirty-seven thousand five hundred dollars
5	of net income;.
6	(3)(c) Six percent on any amount of net income in excess of fifty thousand
7	dollars of net income.
8	(2) For tax years beginning on or after January 1, 2023, but before January
9	1, 2024, the tax to be assessed, levied, collected, and paid upon the taxable income
10	of an individual shall be computed at the rate of:
11	(a) One and one-half percent on that portion of the first twelve thousand five
12	hundred dollars of net income which is in excess of the credits against net income
13	provided for in R.S. 47:79.
14	(b) Three percent on the next thirty-seven thousand five hundred dollars of
15	net income.
16	(c) Four and one-half percent on any amount of net income in excess of fifty
17	thousand dollars of net income.
18	(3) For tax years beginning on or after January 1, 2024, but before January
19	1, 2025, the tax to be assessed, levied, collected, and paid upon the taxable income
20	of an individual shall be computed at the rate of:
21	(a) One percent on that portion of the first twelve thousand five hundred
22	dollars of net income which is in excess of the credits against net income provided
23	for in R.S. 47:79.
24	(b) Two percent on the next thirty-seven thousand five hundred dollars of net
25	income.
26	(c) Three percent on any amount of net income in excess of fifty thousand
27	dollars of net income.

1	(4) For tax years beginning on or after January 1, 2025, but before January
2	1, 2026, the tax to be assessed, levied, collected, and paid upon the taxable income
3	of an individual shall be computed at the rate of:
4	(a) One-half of one percent on that portion of the first twelve thousand five
5	hundred dollars of net income which is in excess of the credits against net income
6	provided for in R.S. 47:79.
7	(b) One percent on the next thirty-seven thousand five hundred dollars of net
8	income.
9	(c) One and one-half percent on any amount of net income in excess of fifty
10	thousand dollars of net income.
11	(5) For tax years beginning on or after January 1, 2026, no tax shall be
12	assessed, levied, collected, and paid upon the taxable income of an individual.
13	§32.1. Utilization of individual income tax exemptions, deductions, and credits;
14	<u>limitations</u>
15	The value of each exemption, deduction, and credit included in Chapter 26
16	of Title 25 of the Louisiana Revised Statutes of 1950; this Chapter, Chapters 3 and
17	5 of Subtitle V, and Chapters 1, 2, and 3 of Subtitle VII of this Title; and Chapters
18	21, 23, 26, 39, and 39-C of Title 51 of the Louisiana Revised Statutes of 1950, which
19	limits the individual income tax liability of a taxpayer shall be reduced as follows:
20	(1) For taxable years beginning on or after January 1, 2023, but before
21	January 1, 2024, the value of each exemption, deduction, and credit claimed on a tax
22	return to limit individual income tax liability shall be reduced by twenty-five percent.
23	(2) For taxable years beginning on or after January 1, 2024, but before
24	January 1, 2025, the value of each exemption, deduction, and credit claimed on a tax
25	return to limit individual income tax liability shall be reduced by fifty percent.
26	(3) For taxable years beginning on or after January 1, 2025, but before
27	January 1, 2026, the value of each exemption, deduction, and credit claimed on a tax
28	return to limit individual income tax liability shall be reduced by seventy-five
29	percent.

1	(4) For taxable years beginning on or after January 1, 2026, the value of each
2	exemption, deduction, and credit claimed on a tax return to limit individual income
3	tax liability shall be reduced by one hundred percent.
4	* * *
5	§241. Net income subject to tax
6	The net income of a nonresident individual or a corporation subject to the tax
7	imposed by this Chapter shall be the sum of the net allocable income earned within
8	or derived from sources within this state, as defined in R.S. 47:243, and the net
9	apportionable income derived from sources in this state, as defined in R.S. 47:244,
10	less the amount of federal income taxes attributable to the net allocable income and
11	net apportionable income derived from sources in this state. The amount of federal
12	income taxes to be so deducted shall be that portion of the total federal income tax
13	which is levied with respect to the particular income derived from sources in this
14	state to be computed in accordance with rules and regulations of the collector of
15	revenue. Proper adjustment shall be made for the actual tax rates applying to
16	different classes of income and for all differences in the computation of net income
17	for purposes of federal income taxation as compared to the computation of net
18	income under this Chapter. Where the allocation of the tax is to be based on a ratio
19	of the amount of net income of a particular class, both the numerator and the
20	denominator of the fraction used in determining the ratio shall be computed on the
21	basis that such net income is determined for federal income tax purposes.
22	* * *
23	§293. Definitions
24	The following definitions shall apply throughout this Part, unless the context
25	requires otherwise:
26	* * *
27	(10) "Tax table income", for nonresident individuals, means the amount of
28	Louisiana income, as provided in this Part, allocated and apportioned under the
29	provisions of R.S. 47:241 through 247, plus the total amount of the personal

exemptions and deductions already included in the tax tables promulgated by the secretary under authority of R.S. 47:295, less the proportionate amount of the federal income tax liability; excess federal itemized personal deductions, the temporary teacher deduction, the recreation volunteer and volunteer firefighter deduction, the construction code retrofitting deduction, any gratuitous grant, loan, or other benefit directly or indirectly provided to a taxpayer by a hurricane recovery entity if such benefit was included in federal adjusted gross income, the exclusion provided for in R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by 26 U.S.C. 280C, salaries, wages or other compensation received for disaster or emergency-related work rendered during a declared state disaster or emergency, the deduction for net capital gains, the pass-through entity exclusion provided in R.S. 47:297.14, and personal exemptions and deductions provided for in R.S. 47:294. The proportionate amount is to be determined by the ratio of Louisiana income to federal adjusted gross income is less than Louisiana income, the ratio shall be one hundred percent.

16 * *

§300.1. Tax imposed

A. There is imposed an income tax for each taxable year upon the Louisiana taxable income of every estate or trust, whether resident or nonresident. <u>Until January 1, 2023, the The</u> tax to be assessed, levied, collected, and paid upon the Louisiana taxable income of an estate or trust shall be computed at the following rates:

- (1) Two percent on the first ten thousand dollars of Louisiana taxable income.
- (2) Four percent on the next forty thousand dollars of Louisiana taxable income.
- (3) Six percent on Louisiana taxable income in excess of fifty thousand dollars.

1	B. For tax years beginning on or after January 1, 2023, but before January
2	1, 2024, the tax to be assessed, levied, collected, and paid upon the Louisiana taxable
3	income of an estate or trust shall be computed at the rate of:
4	(1) One and one-half percent on the first ten thousand dollars of Louisiana
5	taxable income.
6	(2) Three percent on the next forty thousand dollars of Louisiana taxable
7	income.
8	(3) Four and one-half percent on Louisiana taxable income in excess of fifty
9	thousand dollars.
10	C. For tax years beginning on or after January 1, 2024, but before January
11	1, 2025, the tax to be assessed, levied, collected, and paid upon the Louisiana taxable
12	income of an estate or trust shall be computed at the rate of:
13	(1) One percent on the first ten thousand dollars of Louisiana taxable
14	income.
15	(2) Two percent on the next forty thousand dollars of Louisiana taxable
16	income.
17	(3) Three percent on any Louisiana taxable income in excess of fifty
18	thousand dollars.
19	D. For tax years beginning on or after January 1, 2025, but before January
20	1, 2026, the tax to be assessed, levied, collected, and paid upon the Louisiana taxable
21	income of an estate or trust shall be computed at the rate of:
22	(1) One-half of one percent on the first ten thousand dollars of Louisiana
23	taxable income.
24	(2) One percent on the next forty thousand dollars of Louisiana taxable
25	income.
26	(3) One and one-half percent on Louisiana taxable income in excess of fifty
27	thousand dollars.

1	E. For tax years beginning on or after January 1, 2026, no tax shall be
2	assessed, levied, collected, and paid upon the Louisiana taxable income of an estate
3	or trust.
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.
11	* * *
12	§300.7. Louisiana taxable income of nonresident estate or trust
13	A. Definition. "Louisiana taxable income" of a nonresident estate or trust
14	means such portion of the taxable income of the nonresident estate or trust
15	determined in accordance with federal law for the same taxable year, as specifically
16	modified by the provisions contained in Subsection C of this Section, that was earned
17	within or derived from sources within this state, less a federal income tax deduction
18	to be computed following the provisions of R.S. 47:287.83 and 287.85.
19	* * *
20	§300.12. Utilization of income tax exemptions, deductions and credits applicable to
21	estates and trusts; limitations
22	The value of each exemption, deduction, and credit included in Chapter 26
23	of Title 25 of the Louisiana Revised Statutes of 1950; this Chapter, Chapters 3 and
24	5 of Subtitle V, and Chapters 1, 2, and 3 of Subtitle VII of this Title; and Chapters
25	21, 23, 26, 39, and 39-C of Title 51 of the Louisiana Revised Statutes of 1950, which
26	limits the income tax liability of an estate or trust shall be reduced as follows:
27	(1) For taxable years beginning on or after January 1, 2023, but before
28	January 1, 2024, the value of each exemption, deduction, and credit claimed on a tax

1	return to limit the income tax liability of an estate or trust shall be reduced by
2	twenty-five percent.
3	(2) For taxable years beginning on or after January 1, 2024, but before
4	January 1, 2025, the value of each exemption, deduction, and credit claimed on a tax
5	return to limit the income tax liability of an estate or trust shall be reduced by fifty
6	percent.
7	(3) For taxable years beginning on or after January 1, 2025, but before
8	January 1, 2026, the value of each exemption, deduction, and credit claimed on a tax
9	return to limit the income tax liability of an estate or trust shall be reduced by
10	seventy-five percent.
11	(4) For taxable years beginning on or after January 1, 2026, the value of each
12	exemption, deduction, and credit claimed on a tax return to limit the income tax
13	liability of an estate or trust shall be reduced by one hundred percent.
14	Section 2. R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298 are hereby repealed
15	in their entirety.
16	Section 3. The provisions of this Act shall be applicable to taxable periods beginning
17	on or after January 1, 2023.
18	Section 4. This Act shall take effect and become operative on January 1, 2023, if
19	the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act
20	which originated as House Bill No of this 2021 Regular Session of the Legislature is
21	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 475 Original

2021 Regular Session

Nelson

Abstract: Phases-out individual income taxes and taxes levied on the income of estates and trusts over four years, repeals the deductibility of federal income taxes paid for purposes of calculating income tax liability, and reduces the amount of exemptions, deductions, and credits that may be claimed on tax returns to reduce income tax liability.

Page 8 of 10

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

<u>Present law</u> 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.

<u>Proposed law</u> changes <u>present law</u> for tax years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by reducing the tax rates for individual income tax as follows:

- (1) From 2% to 1.5% on the first \$12,500 of net income.
- (2) From 4% to 3% on the next \$37,500 of net income.
- (3) From 6% to 4.5% on net income in excess of \$50,000.

<u>Proposed law</u> provides for the further reduction of individual income tax rates beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, as follows:

- (1) From 1.5% to 1% on the first \$12,500 of net income.
- (2) From 3% to 2% on the next \$37,500 of net income.
- (3) From 4.5% to 3% on net income in excess of \$50,000.

<u>Proposed law</u> provides for the further reduction of individual income tax rates beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1% to .5% on the first \$12,500 of net income.
- (2) <u>From 2% to 1% on the next \$37,500 of net income.</u>
- (3) From 3% to 1.5% on net income in excess of \$50,000.

<u>Proposed law</u> prohibits tax from being assessed, levied, collected, and paid upon the taxable income of an individual beginning on or after Jan. 1, 2026.

<u>Present law</u> 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.

<u>Proposed law</u> changes <u>present law</u> for tax years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by reducing the tax rates for taxes levied on estates and trusts as follows:

- (1) From 2% to 1.5% on the first \$10,000 of La. taxable income.
- (2) From 4% to 3% on the next \$40,000 of La. taxable income.
- (3) From 6% to 4.5% on La. taxable income in excess of \$50,000.

<u>Proposed law</u> provides for the further reduction of the tax levied on the taxable income of estates and trusts beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, as follows:

- (1) From 1.5% to 1% on the first \$10,000 of La. taxable income.
- (2) From 3% to 2% on the next \$40,000 of La. taxable income.
- (3) From 4.5% to 3% on La. taxable income in excess of \$50,000.

<u>Proposed law</u> provides for the further reduction of the tax levied on the taxable income of estates and trusts beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1% to .5% on the first \$10,000 of La. taxable income.
- (2) From 2% to 1% on the next \$40,000 of La. taxable income.
- (3) From 3% to 1.5% on La. taxable income in excess of \$50,000.

<u>Proposed law</u> prohibits tax from being assessed, levied, collected, and paid on the taxable income of an estate or trust beginning on or after Jan. 1, 2026.

<u>Present law</u> includes various tax incentives in the form of credits, deductions, and exemptions from individual income tax and income taxes levied on estates and trusts which reduce a taxpayer's overall tax liability.

<u>Proposed law</u> retains <u>present law</u> but reduces the value of the tax credits, deductions, and exemptions that may be claimed on a tax return to reduce a taxpayer's tax liability as follows:

- (1) For taxable years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by 25%.
- (2) For taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by 50%.
- (3) For taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, by 75%.
- (4) For taxable years beginning on or after Jan. 1, 2026, by 100%.

<u>Present constitution</u> and <u>present law</u> authorize a state deduction for federal income taxes paid for purposes of computing income taxes for the same period.

<u>Proposed law</u> repeals the <u>present law</u> provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual income taxes and th taxes of estates and trusts.

Proposed law applies to all tax periods beginning on or after Jan. 1, 2023.

Effective Jan. 1, 2023, if 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(10), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:32.1 and 300.12: Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298)