
DIGEST

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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.

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 present law 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.

Proposed law 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.

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

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

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 present law 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.

Proposed law 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.

Proposed law 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.

Proposed law 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.

Present law 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.

Proposed law retains present law 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%.

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 and the 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)