2021 Regular Session

HOUSE BILL NO. 546

BY REPRESENTATIVE PRESSLY

TAX/STATE: Reduces the rates and brackets for purposes of calculating individual income tax liability and the tax liability for estates and trusts and modifies certain income tax credits, exemptions, and deductions

AN ACT

To amend and reenact R.S. 47:32(A), 241, 293(3) and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A), to enact R.S. 47:55(6) and 6006(I), and to repeal R.S. 47:79(B), (C), and (D), 293(4) and (9)(a)(ii) and (xi), 296.1(B)(3)(c), 297.8, 298, 6019, and Chapter 2 of Subtitle VII of Title 47 of the Louisiana Revised Statutes of 1950, comprised of R.S. 47:6101 through 6109, relative to state taxes; to provide for the calculation of individual income tax liability; to provide for the rates and brackets for individual income tax; to provide for the amount of the standard deduction for purposes of individual income taxes; to repeal the individual income tax credit for certain dependents; to repeal the deduction for excess federal itemized personal deductions; to repeal deductibility of federal income taxes paid for purposes of calculating individual income taxes; to terminate the tax credit for inventory taxes paid; to terminate the credit for the conversion of certain vehicles to alternative fuel; to repeal certain tax deductions and credits; to repeal certain school readiness tax credits; to repeal the tax credit for rehabilitation of historic structures; to provide for the rates and brackets for estates and trusts; to provide for applicability; to provide for an effective date; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 47:32(A), 241, 293(3) and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A) are hereby amended and reenacted and R.S. 47:55(6) and 6006(I) are hereby enacted to read as follows:

§32. Rates of tax

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

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

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

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

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§55. Deductions from gross income; taxes generally

In computing net income, there shall be allowed as deductions all taxes paid or accrued within the taxable year except:

* * *

(6) Federal income taxes paid on individual income.

* * *

§241. Net income subject to tax

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

* * *

§293. Definitions

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

* * *

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

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

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

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

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

* * *

(10) "Tax table income", for nonresident individuals, means the amount of Louisiana income, as provided in this Part, allocated and apportioned under the 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. When federal adjusted gross income is less than Louisiana income, the ratio shall be one hundred percent.

* * *

§294. Personal exemptions and credit for dependents

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 this Part. Taxpayers are required to use the same filing status and claim the same exemptions on their return required to be filed under this Part as they used on their federal income tax return. The amounts to be taken into consideration shall be as follows:

~~A.~~(1) A combined personal exemption and standard deduction in the following amounts:

a. Single Individual	~~$ 4500.00~~	$10,260
b. Married-Joint Return and a Qualified Surviving Spouse	~~$ 9000.00~~	$20,520
c. Married-Separate	~~$ 4500.00~~	$10,260
d. Head of Household	~~$ 9000.00~~	$20,520

~~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).~~

§295. Tax imposed on individuals; administration

* * *

B. The secretary shall establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that shall not exceed two hundred fifty dollars. The secretary shall provide in the tax tables that the combined personal exemption, standard deduction, and other exemption deductions in R.S. 47:294 shall be deducted from the ~~two percent bracket~~ brackets provided for in R.S. 47:32. ~~If such combined exemptions and deductions exceed the two percent bracket, the excess shall be deducted from the four percent bracket. If such combined exemptions and deductions exceed the two and four percent brackets, the excess shall be deducted from the six percent bracket.~~

* * *

§300.1. Tax imposed

There is imposed an income tax for each taxable year upon the Louisiana taxable income of every estate or trust, whether resident or nonresident. The 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~~ No tax shall be levied on the first ~~ten thousand~~ twelve thousand five hundred dollars of Louisiana taxable income.

(2) Four percent on ~~the next forty thousand dollars of~~ Louisiana taxable income in excess of twelve thousand five hundred dollars.

~~(3) Six percent on Louisiana taxable income in excess of fifty thousand dollars.~~

* * *

§300.6. Louisiana taxable income of resident estate or trust

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

* * *

§300.7. Louisiana taxable income of nonresident estate or trust

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

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§6006. Tax credits for local inventory taxes paid

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I. The tax credit authorized pursuant to the provisions of this Section shall be applicable for ad valorem taxes paid to political subdivisions prior to January 1, 2023. The tax credit authorized pursuant to the provisions of this Section shall terminate on January 1, 2023.

Section 2. R.S. 47:79(B), (C), and (D), 293(4) and (9)(a)(ii) and (xi), 296.1(B)(3)(c), 297.8, 298, 6019, and Chapter 2 of Subtitle VII of Title 47 of the Louisiana Revised Statutes of 1950, comprised of R.S. 47:6101 through 6109, are hereby repealed in their entirety.

Section 3. The provisions of this Act shall be applicable for tax years beginning on or after January 1, 2023.

Section 4. This Act shall take effect and become operative on January 1, 2023, if the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act which originated as House Bill No. ___ of this 2021 Regular Session of the Legislature is 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 546 Original 2021 Regular Session Pressly

Abstract: Changes the rates and brackets for purposes of calculating income tax liability for individuals, estates, and trusts; increases the personal exemption and standard deduction; and eliminates 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 reduces 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 changes present law by increasing the amount of the combined personal exemption as follows:

(1) From $4,500 for single, individual filers to $10,260.

(2) From $9,000, for married, joint or qualified surviving spouse filers to $20,520.

(3) From $4,500 for married, separate filers to $10,260.

(4) From $9,000 for head of household filers to $20,520.

Present law authorizes an additional deduction of $1,000 for each allowable exemption in excess of those required to qualify for the exemption allowable under present law (R.S. 47:294(A)).

Proposed law repeals present law.

Present law authorizes a personal exemption of $1,000 for each taxpayer who is blind or deaf, who has an intellectual disability, or who has sustained the loss of one or more limbs. Present law further defines the terms "blind" and "deaf" for purposes of claiming the personal exemption provided for in present law.

Proposed law retains present law.

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 retains present law but deletes references to the specific brackets.

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 effective Jan. 1, 2023.

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 present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual income taxes and the tax liability for estates and trusts.

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.

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.*

Present law provides for an income or corporation franchise tax credit, the amount of which shall be equal to the amount of ad valorem taxes paid by the taxpayer to political subdivisions on inventory held by manufacturers, distributors, and retailers.

Present law provides for a graduated scale of the amount of the tax credit refunded to the taxpayer or carried forward and applied against subsequent tax liability for not longer than five years based on the amount of the ad valorem taxes paid to political subdivisions.

Proposed law retains present law but terminates issuance of tax credits for ad valorem taxes paid to political subdivisions on Jan. 1, 2023.

Present law authorizes an individual income tax credit for child care expenses in addition to credits authorized in present law based on the amount of the taxpayers federal adjusted gross income and the quality rating of the child care facility which the child attends.

Proposed law repeals present law.

Present law authorizes a refundable income or corporation franchise tax credit for a child care provider. The amount of the credit is based on the average monthly number of children who either participate in the Child Care Assistance Program or who are foster children in the custody of the Dept. of Children and Family Services (DCFS), and who are attending a child care facility operated by the child care provider, multiplied by an amount based on the quality rating of each child care facility operated by the child care provider.

Proposed law repeals present law.

Present law authorizes a refundable individual income tax credit for eligible child care directors and eligible child care staff. The amount of the credit is based on specific qualifications for eligible child care directors and eligible child care staff provided for in present law and administrative rules promulgated by DCFS. Requires the amount of the credit to be adjusted annually each calendar year by the percentage increase in the Consumer Price Index United States city average for all urban consumers (CPI-U), as prepared by the U.S. Dept. of Labor, Bureau of Labor Statistics.

Proposed law repeals present law.

Present law authorizes a refundable income or corporation franchise tax credit for eligible business child care expenses supported by a business. The amount of the credit shall be based on percentages of the eligible business child care expenses and the quality rating of the child care facility to which the expenses are related or the quality rating of the child care facility the child attends. Further provides for an additional refundable income or corporation franchise tax credit for the payment by a business of fees and grants to child care resource and referral agencies not to exceed $5,000 per tax year.

Proposed law repeals present law.

Present law authorizes a refundable individual income tax credit equal to 3.5% of the federal earned income tax credit for which the individual is eligible for the taxable year under present federal law. Further provides that from Jan. 1, 2019, through Dec. 31, 2025, the amount of the credit shall be increased from 3.5 % of the amount authorized in present federal law to 5% of the amount authorized in present federal law.

Proposed law repeals present law.

Present law authorizes an income and corporation franchise tax credit for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development or a cultural district. The amount of the credit shall equal 25% of the eligible costs and expenses of the rehabilitation incurred prior to Jan. 1, 2018, regardless of the year in which the property is placed in service and 20% of the eligible costs and expenses of the rehabilitation incurred on or after Jan. 1, 2018, and before Jan. 1, 2026, regardless of the year in which the property is placed in service. Present law prohibits a credit for expenses incurred on or after Jan. 1, 2026.

Proposed law repeals present law.

Proposed law applies to tax years beginning on or after January 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(3) and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:55(6), and 6006(I); Repeals R.S. 47:79(B), (C), and (D), 293(4) and (9)(a)(ii) and (xi), 296.1(B)(3)(c), 297.8, 298, 6019, and 6101-6109)