

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 159** SLS 21RS 391

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 14, 2021	2:15 PM	Author: ALLAIN
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Income Tax		

TAX/TAXATION

EG SEE FISC NOTE GF RV See Note

Page 1 of 1

Constitutional amendment to reduce the maximum rate of individual income tax and to provide for a federal income tax deduction as provided by law. (2/3 - CA13s1(A))

Present constitution allows income taxes to be graduated according to the level of income, requires a deduction of federal income taxes paid when computing state income taxes, and prohibits the rates and brackets from exceeding those in effect on January 1, 2003.

Proposed amendment requires that the maximum state individual income tax rate on individuals shall be 5%, for tax years beginning after December 21, 2021, and eliminates the requirement for a federal income taxes paid deduction for income tax (applicable to both individual and corporate income tax).

To be submitted to the electors at the statewide election to be held on October 9, 2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The bill contemplates modifications to the individual income tax for tax year 2022. While not effective until and if adopted at a statewide election in October 2021, the Department of Revenue may have to incur costs or system modification and testing in an expedited fashion this summer and fall (the first half of FY22) in order to be prepared in case this constitutional amendment is adopted (along with any other associated statutory changes). These costs are typically several thousands of dollars of staff time, but can be more material if numerous changes to the tax are enacted.

HB 309 of this session provides for a special statewide election to be held on Saturday, October 9, 2021, to submit proposed constitutional amendments passed during the 2021 Regular Session. That bill will be null and void if no proposed constitutional amendment specifies the statewide election on October 9, 2021. The cost of modifying the existing elections in October to a statewide election with constitutional amendments is estimated in the fiscal note for HB 309 at \$2 million.

REVENUE EXPLANATION

The deduction for federal taxes paid and the rate and bracket structure of the income tax are currently provided in statute, consistent with current constitutional provisions. This constitutional amendment does not change those statutory provisions, and does not prohibit a federal tax deduction for income tax. This amendment does mandates a maximum 5% rate for individual income tax effective for tax years beginning after December 31, 2021 (the 2022 tax year). This is one percentage point lower than the current law top marginal tax rate of 6% for individual income tax. Specific statutory changes would be required to modify the federal taxes paid deduction.

Taken in isolation, the bill constitutionally reduces the top marginal tax rate for individual income tax from 6% to 5%, effective for tax year 2022. By itself, that reduces total tax liabilities by over \$222 million. However, the bill does appear to contemplate other statutory changes, such as modification of the existing graduated rate and bracket structure and the deduction for federal taxes paid.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
Legislative Fiscal Officer