



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 529** HLS 21RS 950
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---------------------------------------|-------------------------------|
| Date: April 16, 2021 9:21 AM | Author: LANDRY |
| Dept./Agy.: Revenue | Analyst: Greg Albrecht |
| Subject: Individual Income Tax | |

TAX/INCOME TAX OR +\$29,300,000 GF RV See Note Page 1 of 1
 Adds additional rates and brackets for purposes of calculating individual income tax liability

Current law provides a three rate and bracket structure for the individual income tax. For single filers, tax table income up to \$12,500 is taxed at 2%, the next \$37,500 is taxed at 4%, and in excess of \$50,000 is taxed at 6%. The brackets are doubled for joint filers.

Proposed law adds two additional rates and brackets, by modifying the current top bracket to apply the 6% tax to tax table income from \$50,000 to \$500,000, then tax the next \$500,000 of income at 7%, and income in excess of \$1 million at 8%. The brackets are doubled for joint filers.

Effective for tax periods beginning on and after January 1, 2023.

Contingent upon adoption of a constitutional amendment contained in House Bill ____ of this session.

| EXPENDITURES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|-----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$87,000 | \$0 | \$0 | \$0 | \$0 | \$87,000 |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$87,000 | \$0 | \$0 | \$0 | \$0 | \$87,000 |

| REVENUES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|----------------|--------------------|---------------------|---------------------|---------------------|----------------------|
| State Gen. Fd. | \$0 | \$6,400,000 | \$36,300,000 | \$29,300,000 | \$29,300,000 | \$101,300,000 |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$6,400,000 | \$36,300,000 | \$29,300,000 | \$29,300,000 | \$101,300,000 |

EXPENDITURE EXPLANATION

Implementation of this proposal will result in approximately \$51,000 of programming, testing and system development costs related to the revision of the affected tax administration system. Additional estimated expenses of \$36,000 are associated with LDR's Revenue Processing Center (RPC) updating equipment and software to process the revised returns in FY 2022 -2023. LDR will also promulgate new rules to issue revised withholding tables and tax tables as required by R.S. 47:295.

REVENUE EXPLANATION


The bill is estimated to result in an aggregate annual taxpayer liability increase of \$29.3 million (affecting approximately 12,600 filers, or 0.6% of all resident returns). This estimate is generated by a micro-simulation model processing 2019 resident and nonresident individual income tax data, with fiduciary receipts added as their share of FY20 total individual income tax receipts (0.498%). The return data reflect the significant federal income tax changes that first affected state taxes for tax year 2018.

The tax year liability change estimate is translated to fiscal year receipt estimates in the revenue table above in consultation with the Dept. of Rev regarding the share of liability change typically collected through withholdings (79%), declarations (8%), and return filings (13%). The first fiscal year of effect will be FY23 with tax receipts affected through withholdings changes; with this estimate assuming a one-quarter lag for discernible impact. No lag is assumed for declarations since they are first due in April of the year. Receipts for the second fiscal year, FY24, will step up due to four quarters of withholdings and declarations, plus the catch-up of the first tax year's first quarter liability change when returns are filed, plus the amount of liability change typically realized on returns rather than through withholdings or declarations. The bill's tax year changes fully transition to fiscal year realizations by the third fiscal year, FY25, with tax year liability changes equal to fiscal year collections changes.

No growth path has been assumed for purposes of the fiscal note. The state personal income tax has experienced significant shocks in recent periods as a result of federal tax law changes, as well as the coronavirus pandemic event. Additional shocks are likely, associated with the federal pandemic support actions. In addition, federal tax law changes which began affecting state tax receipts in 2018, are scheduled to expire at the end of 2025.

While a substantial tax increase can dampen economic activity, resulting in reduced state tax receipts, the state operates in a balanced budget environment and would typically be expected to support additional state government expenditures and/or tax decreases elsewhere in the economy. This reality results in offsetting increases in economic activity and state tax receipts. A redistribution of activity occurs, but little in the way of net reduced economic activity and tax receipts.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |


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Legislative Fiscal Officer