



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 203** HLS 21RS 562
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 18, 2021 9:42 AM	Author: CARTER, ROBBY
Dept./Agy.: Revenue / Local Ad Valorem Tax Collectors	Analyst: Greg Albrecht
Subject: Income Tax and State Property Tax	

TAX/STATE OR DECREASE GF RV See Note Page 1 of 1
 (Constitutional Amendment) Prohibits the levy of tax on net incomes and provides for state taxes on the assessed value of property

Current law authorizes graduated taxation of net incomes, as well as state property tax up to 5.75 mills on the dollar of assessed valuation of property.

Proposed law prohibits the taxation of net incomes, and authorizes state property taxation as provided by law. Effective January 1, 2023, and applicable for tax years beginning on or after January 1, 2023.

To be submitted to the electors at the statewide election to be held on November 8, 2022.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$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	\$0

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

Administrative expenses to transition out of the individual and corporate income taxes have not been determined.

REVENUE EXPLANATION

The bill provides no transition provisions for the elimination of the state income tax, both individual and corporate, effective with the 2023 tax year. Presumably, statutory provisions to make that transition would be enacted prior to this bill's effectiveness. A rough guide of the fiscal consequences of the bill, with regard to income taxation, can be obtained from current official forecasts of income tax in future fiscal years. Individual income tax that would ultimately be foregone is forecast at \$3.977 billion in FY23, \$4.079 billion in FY24, and \$4.069 billion in FY25. Foregone corporate income tax would approximate \$350 million in FY23, \$375 million in FY24, and \$400 million in FY25. These forecasts are net of credits, and understate losses to the extent certain credits can migrate to the franchise tax. In addition, receipts in a fiscal year are attributable to multiple tax years of filings. Thus, actual revenue losses would accumulate to these magnitudes primarily over about a three-year period. However, losses from the elimination of individual income tax withholdings would begin in the second half of FY23 (the first half of tax year 2023).

The bill seems to contemplate a statewide property tax to offset some or all of the income tax loss, but provides no guidance as to that taxation other than to remove the current maximum statewide millage of 5.75 mills (not currently levied), and authorizes state property taxation as provided by law.

Senate Dual Referral Rules
 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