



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 448** HLS 21RS 563
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 19, 2021 4:53 PM **Author:** CARTER, ROBBY
Dept./Agy.: Revenue / Local Ad Valorem Tax Collectors **Analyst:** Greg Albrecht
Subject: Repeals Income Tax and Moves Tax Credits to Franchise Tax

TAX/INCOME TAX OR DECREASE GF RV See Note Page 1 of 1
 Repeals state taxes levied on the taxable income of individuals and corporations and repeals tax credits, exemptions, deductions, and exclusions

Proposed law repeals the state individual income tax and state corporate income tax, as well as various deductions, exemptions, exclusions, and credits applicable to the income tax. Also, provides that various tax credits currently applicable to both the income and franchise tax will be limited to only the corporate franchise tax.

Effective January 1, 2023.

Contingent upon adoption of the constitutional amendment contained in HB 203 of this session.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
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	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$819,000,000)	(\$4,600,000,000)	(\$4,400,000,000)	(\$4,400,000,000)	(\$14,219,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	(\$819,000,000)	(\$4,600,000,000)	(\$4,400,000,000)	(\$4,400,000,000)	?

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

A rough guide to the amount of individual income tax that would ultimately be foregone is reflected in the Revenue Estimating Conference (REC) forecasts of approximately \$4 billion per fiscal year of individual income tax collections (\$3.977 billion for FY23, \$4.079 billion for FY24, and \$4.069 billion for FY25), and approximately \$400 million per fiscal year of corporate income tax collections (\$350 million for FY23, \$375 million for FY24, and \$400 million for FY25). These are fiscal year forecasts that reflect multiple tax years of returns in each fiscal year, although the bill eliminates these taxes with the single tax year of 2023.

Specific estimates of the annual revenue losses from the repeal of these taxes is complicated by the fact that realization of income tax year changes typically occur over a three fiscal year period of transition. The first tax year of elimination would result in fiscal year revenue losses beginning in FY23 from the drop in withholdings collections and quarterly declarations during the first half of 2023 (the second half of FY23). Revenue losses would accumulate subsequent fiscal years, until realizations of the repeal of both taxes is fully transitioned by FY25. A rough estimate of the FY23 effect is \$747 million loss of individual income tax and \$72 million of corporate income tax (\$819 million). In FY24, roughly \$4.3 billion of individual income tax is lost plus \$360 million of corporate (\$4.6 billion). By FY25, the losses stabilize to roughly the fiscal year projections above at \$4 billion for individual income tax plus \$400 million for corporate (\$4.4 billion).

These estimates are net of credits, and understate losses to the extent certain credits can migrate to the franchise tax, which this bill explicitly provides for a number of the credits. In addition, receipts in a fiscal year are attributable to multiple tax years of filings.

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}

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