LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 171** HLS 21RS 291
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 20, 2021 11:15 AM
Author: ZERINGUE
Dept./Agy.: Revenue
Subject: Individual Income Tax
Analyst: Greg Albrecht

TAX/INCOME TAX EG +$+30,200,000 GF RV See Note

Changes the rates and brackets for purposes of calculating individual income tax liability and eliminates certain deductions and credits

Proposed law modifies the individual income tax to provide a 4% flat tax rate on taxable income above $12,500 single / $25,000 joint (from the current 2%, 4%, 6% three rate and bracket structure), to eliminate the deductions for federal income taxes paid for both individuals and corporations. Also eliminates excess federal itemized deductions, and the personal exemption / standard deduction ($4,500 single / $9,000 joint). In addition, the amount of film tax credits that can be issued each year and claimed against taxes each year are reduced by 50% (from $150M to $75M at the point of issuance and from $180M to $90M at the point of tax claims).

Effective for tax periods beginning on and after January 1, 2023.
Contingent upon adoption of a constitutional amendment contained in House Bill 207 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	($16,600,000)	($14,400,000)	$30,200,000	$30,200,000	**$29,400,000**
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**	**($16,600,000)**	**($14,400,000)**	**$30,200,000**	**$30,200,000**	**$29,400,000**

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 return 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 personal income tax provisions of the bill are estimated to result in an aggregate annual taxpayer liability decrease of $149.8 million. In general, filers that itemize on their federal returns will face a tax increase, while filers who do not itemize will face a tax decrease. 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. This aggregate effect is offset by two additional provisions discussed below (elimination of corporate federal deductibility and a reduction to film credits).

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.

The bill also repeals the corporate deduction for federal income taxes paid, and reduces by half the amount of film tax credits that can be paid each year. These provisions add net receipts to the bill's overall effect, and those revenue additions have been included in the table above. The corporate federal deduction repeal adds $16M in FY23, $81M in FY24, and $90M in FY25 and beyond. The film tax credit reduction adds $90M in each year from FY24 and beyond.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 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