

2021 Regular Session

HOUSE BILL NO. 475

BY REPRESENTATIVE NELSON

TAX/INCOME TAX: Phases-out the taxes levied on the income of individuals and estates and trusts and reduces the amount of exemptions, deductions, and credits that may be claimed to reduce income tax liability

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 241, 293(10), 300.1, 300.6(A), and 300.7(A), to enact

3 R.S. 47:32.1 and 300.12, and to repeal R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c),

4 and 298, relative to individual income taxes; to provide for the rate of the individual

5 income tax; to provide for a reduction and eventual elimination of the individual

6 income tax; to provide for the rate of the income tax levied on estates and trusts; to

7 provide for a reduction and eventual elimination of the income taxes levied on

8 estates and trusts; to provide for the claiming of income tax exemptions, deductions,

9 and credits for individuals and estates and trusts; to repeal the deductibility of federal

10 income taxes paid for purposes of calculating income tax liability for individuals and

11 estates and trusts; to provide for applicability; to provide for an effective date; and

12 to provide for related matters.

13 Be it enacted by the Legislature of Louisiana:

14 Section 1. R.S. 47:32(A), 241, 293(10), 300.1, 300.6(A), and 300.7(A) are hereby  
15 amended and reenacted and R.S. 47:32.1 and 300.12 are hereby enacted to read as follows:

16 §32. Rates of tax

17 A.(1) On individuals. Until January 1, 2023, the ~~The~~ tax to be assessed,

18 levied, collected and paid upon the taxable income of an individual shall be

19 computed at the following rates:

1           ~~(1)~~(a) Two percent on that portion of the first twelve thousand five hundred  
2           dollars of net income which is in excess of the credits against net income provided  
3           for in R.S. 47:79;

4           ~~(2)~~(b) Four percent on the next thirty-seven thousand five hundred dollars  
5           of net income;

6           ~~(3)~~(c) Six percent on any amount of net income in excess of fifty thousand  
7           dollars of net income.

8           (2) For tax years beginning on or after January 1, 2023, but before January  
9           1, 2024, the tax to be assessed, levied, collected, and paid upon the taxable income  
10          of an individual shall be computed at the rate of:

11          (a) One and one-half percent on that portion of the first twelve thousand five  
12          hundred dollars of net income which is in excess of the credits against net income  
13          provided for in R.S. 47:79.

14          (b) Three percent on the next thirty-seven thousand five hundred dollars of  
15          net income.

16          (c) Four and one-half percent on any amount of net income in excess of fifty  
17          thousand dollars of net income.

18          (3) For tax years beginning on or after January 1, 2024, but before January  
19          1, 2025, the tax to be assessed, levied, collected, and paid upon the taxable income  
20          of an individual shall be computed at the rate of:

21          (a) One percent on that portion of the first twelve thousand five hundred  
22          dollars of net income which is in excess of the credits against net income provided  
23          for in R.S. 47:79.

24          (b) Two percent on the next thirty-seven thousand five hundred dollars of net  
25          income.

26          (c) Three percent on any amount of net income in excess of fifty thousand  
27          dollars of net income.

1           (4) For tax years beginning on or after January 1, 2025, but before January  
2           1, 2026, the tax to be assessed, levied, collected, and paid upon the taxable income  
3           of an individual shall be computed at the rate of:

4           (a) One-half of one percent on that portion of the first twelve thousand five  
5           hundred dollars of net income which is in excess of the credits against net income  
6           provided for in R.S. 47:79.

7           (b) One percent on the next thirty-seven thousand five hundred dollars of net  
8           income.

9           (c) One and one-half percent on any amount of net income in excess of fifty  
10          thousand dollars of net income.

11          (5) For tax years beginning on or after January 1, 2026, no tax shall be  
12          assessed, levied, collected, and paid upon the taxable income of an individual.

13          §32.1. Utilization of individual income tax exemptions, deductions, and credits;  
14          limitations

15          The value of each exemption, deduction, and credit included in Chapter 26  
16          of Title 25 of the Louisiana Revised Statutes of 1950; this Chapter, Chapters 3 and  
17          5 of Subtitle V, and Chapters 1, 2, and 3 of Subtitle VII of this Title; and Chapters  
18          21, 23, 26, 39, and 39-C of Title 51 of the Louisiana Revised Statutes of 1950, which  
19          limits the individual income tax liability of a taxpayer shall be reduced as follows:

20          (1) For taxable years beginning on or after January 1, 2023, but before  
21          January 1, 2024, the value of each exemption, deduction, and credit claimed on a tax  
22          return to limit individual income tax liability shall be reduced by twenty-five percent.

23          (2) For taxable years beginning on or after January 1, 2024, but before  
24          January 1, 2025, the value of each exemption, deduction, and credit claimed on a tax  
25          return to limit individual income tax liability shall be reduced by fifty percent.

26          (3) For taxable years beginning on or after January 1, 2025, but before  
27          January 1, 2026, the value of each exemption, deduction, and credit claimed on a tax  
28          return to limit individual income tax liability shall be reduced by seventy-five  
29          percent.

1                   (4) For taxable years beginning on or after January 1, 2026, the value of each  
2                   exemption, deduction, and credit claimed on a tax return to limit individual income  
3                   tax liability shall be reduced by one hundred percent.

4   \*           \*           \*

5                   §241. Net income subject to tax

6                   The net income of a nonresident ~~individual or a~~ corporation subject to the tax  
7                   imposed by this Chapter shall be the sum of the net allocable income earned within  
8                   or derived from sources within this state, as defined in R.S. 47:243, and the net  
9                   apportionable income derived from sources in this state, as defined in R.S. 47:244,  
10                  less the amount of federal income taxes attributable to the net allocable income and  
11                  net apportionable income derived from sources in this state. The amount of federal  
12                  income taxes to be so deducted shall be that portion of the total federal income tax  
13                  which is levied with respect to the particular income derived from sources in this  
14                  state to be computed in accordance with rules and regulations of the collector of  
15                  revenue. Proper adjustment shall be made for the actual tax rates applying to  
16                  different classes of income and for all differences in the computation of net income  
17                  for purposes of federal income taxation as compared to the computation of net  
18                  income under this Chapter. Where the allocation of the tax is to be based on a ratio  
19                  of the amount of net income of a particular class, both the numerator and the  
20                  denominator of the fraction used in determining the ratio shall be computed on the  
21                  basis that such net income is determined for federal income tax purposes.

22   \*           \*           \*

23                  §293. Definitions

24                  The following definitions shall apply throughout this Part, unless the context  
25                  requires otherwise:

26   \*           \*           \*

27                  (10) "Tax table income", for nonresident individuals, means the amount of  
28                  Louisiana income, as provided in this Part, allocated and apportioned under the  
29                  provisions of R.S. 47:241 through 247, plus the total amount of the personal

1 exemptions and deductions already included in the tax tables promulgated by the  
 2 secretary under authority of R.S. 47:295, less the proportionate amount of ~~the federal~~  
 3 ~~income tax liability~~, excess federal itemized personal deductions, the temporary  
 4 teacher deduction, the recreation volunteer and volunteer firefighter deduction, the  
 5 construction code retrofitting deduction, any gratuitous grant, loan, or other benefit  
 6 directly or indirectly provided to a taxpayer by a hurricane recovery entity if such  
 7 benefit was included in federal adjusted gross income, the exclusion provided for in  
 8 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by 26  
 9 U.S.C. 280C, salaries, wages or other compensation received for disaster or  
 10 emergency-related work rendered during a declared state disaster or emergency, the  
 11 deduction for net capital gains, the pass-through entity exclusion provided in R.S.  
 12 47:297.14, and personal exemptions and deductions provided for in R.S. 47:294. The  
 13 proportionate amount is to be determined by the ratio of Louisiana income to federal  
 14 adjusted gross income. When federal adjusted gross income is less than Louisiana  
 15 income, the ratio shall be one hundred percent.

\* \* \*

17 §300.1. Tax imposed

18 A. There is imposed an income tax for each taxable year upon the Louisiana  
 19 taxable income of every estate or trust, whether resident or nonresident. Until  
 20 January 1, 2023, the ~~The~~ tax to be assessed, levied, collected, and paid upon the  
 21 Louisiana taxable income of an estate or trust shall be computed at the following  
 22 rates:

- 23 (1) Two percent on the first ten thousand dollars of Louisiana taxable  
 24 income.
- 25 (2) Four percent on the next forty thousand dollars of Louisiana taxable  
 26 income.
- 27 (3) Six percent on Louisiana taxable income in excess of fifty thousand  
 28 dollars.

1           B. For tax years beginning on or after January 1, 2023, but before January  
2           1, 2024, the tax to be assessed, levied, collected, and paid upon the Louisiana taxable  
3           income of an estate or trust shall be computed at the rate of:

4                   (1) One and one-half percent on the first ten thousand dollars of Louisiana  
5                   taxable income.

6                   (2) Three percent on the next forty thousand dollars of Louisiana taxable  
7                   income.

8                   (3) Four and one-half percent on Louisiana taxable income in excess of fifty  
9                   thousand dollars.

10           C. For tax years beginning on or after January 1, 2024, but before January  
11           1, 2025, the tax to be assessed, levied, collected, and paid upon the Louisiana taxable  
12           income of an estate or trust shall be computed at the rate of:

13                   (1) One percent on the first ten thousand dollars of Louisiana taxable  
14                   income.

15                   (2) Two percent on the next forty thousand dollars of Louisiana taxable  
16                   income.

17                   (3) Three percent on any Louisiana taxable income in excess of fifty  
18                   thousand dollars.

19           D. For tax years beginning on or after January 1, 2025, but before January  
20           1, 2026, the tax to be assessed, levied, collected, and paid upon the Louisiana taxable  
21           income of an estate or trust shall be computed at the rate of:

22                   (1) One-half of one percent on the first ten thousand dollars of Louisiana  
23                   taxable income.

24                   (2) One percent on the next forty thousand dollars of Louisiana taxable  
25                   income.

26                   (3) One and one-half percent on Louisiana taxable income in excess of fifty  
27                   thousand dollars.

1           E. For tax years beginning on or after January 1, 2026, no tax shall be  
2           assessed, levied, collected, and paid upon the Louisiana taxable income of an estate  
3           or trust.

4   \*           \*           \*

5           §300.6. Louisiana taxable income of resident estate or trust

6                    A. Definition. "Louisiana taxable income" of a resident estate or trust means  
7                    the taxable income of the estate or trust determined in accordance with federal law  
8                    for the same taxable year, as specifically modified by the provisions contained in  
9                    Subsection B of this Section, ~~less a federal income tax deduction to be computed~~  
10                   ~~following the provisions of R.S. 47:287.83 and 287.85.~~

11   \*           \*           \*

12           §300.7. Louisiana taxable income of nonresident estate or trust

13                    A. Definition. "Louisiana taxable income" of a nonresident estate or trust  
14                    means such portion of the taxable income of the nonresident estate or trust  
15                    determined in accordance with federal law for the same taxable year, as specifically  
16                    modified by the provisions contained in Subsection C of this Section, that was earned  
17                    within or derived from sources within this state, ~~less a federal income tax deduction~~  
18                    ~~to be computed following the provisions of R.S. 47:287.83 and 287.85.~~

19   \*           \*           \*

20           §300.12. Utilization of income tax exemptions, deductions and credits applicable to  
21           estates and trusts; limitations

22                    The value of each exemption, deduction, and credit included in Chapter 26  
23                    of Title 25 of the Louisiana Revised Statutes of 1950; this Chapter, Chapters 3 and  
24                    5 of Subtitle V, and Chapters 1, 2, and 3 of Subtitle VII of this Title; and Chapters  
25                    21, 23, 26, 39, and 39-C of Title 51 of the Louisiana Revised Statutes of 1950, which  
26                    limits the income tax liability of an estate or trust shall be reduced as follows:

27                    (1) For taxable years beginning on or after January 1, 2023, but before  
28                    January 1, 2024, the value of each exemption, deduction, and credit claimed on a tax

1        return to limit the income tax liability of an estate or trust shall be reduced by  
2        twenty-five percent.

3                (2) For taxable years beginning on or after January 1, 2024, but before  
4        January 1, 2025, the value of each exemption, deduction, and credit claimed on a tax  
5        return to limit the income tax liability of an estate or trust shall be reduced by fifty  
6        percent.

7                (3) For taxable years beginning on or after January 1, 2025, but before  
8        January 1, 2026, the value of each exemption, deduction, and credit claimed on a tax  
9        return to limit the income tax liability of an estate or trust shall be reduced by  
10       seventy-five percent.

11               (4) For taxable years beginning on or after January 1, 2026, the value of each  
12       exemption, deduction, and credit claimed on a tax return to limit the income tax  
13       liability of an estate or trust shall be reduced by one hundred percent.

14        Section 2. R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298 are hereby repealed  
15        in their entirety.

16        Section 3. The provisions of this Act shall be applicable to taxable periods beginning  
17        on or after January 1, 2023.

18        Section 4. This Act shall take effect and become operative on January 1, 2023, if  
19        the proposed amendment of Article VII of the Constitution of Louisiana contained in the Act  
20        which originated as House Bill No. 526 of this 2021 Regular Session of the Legislature is  
21        adopted at a statewide election and becomes effective.



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**DIGEST**

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HB 475 Engrossed

2021 Regular Session

Nelson

**Abstract:** Phases-out individual income taxes and taxes levied on the income of estates and trusts over four years, repeals the deductibility of federal income taxes paid for purposes of calculating income tax liability, and reduces the amount of exemptions, deductions, and credits that may be claimed on tax returns to reduce income tax liability.

Present law provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at the following rates:

- (1) 2% on the first \$12,500 of net income.
- (2) 4% on the next \$37,500 of net income.
- (3) 6% on net income in excess of \$50,000.

Proposed law changes present law for tax years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by reducing the tax rates for individual income tax as follows:

- (1) From 2% to 1.5% on the first \$12,500 of net income.
- (2) From 4% to 3% on the next \$37,500 of net income.
- (3) From 6% to 4.5% on net income in excess of \$50,000.

Proposed law provides for the further reduction of individual income tax rates for tax years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, as follows:

- (1) From 1.5% to 1% on the first \$12,500 of net income.
- (2) From 3% to 2% on the next \$37,500 of net income.
- (3) From 4.5% to 3% on net income in excess of \$50,000.

Proposed law provides for the further reduction of individual income tax rates for tax years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1% to .5% on the first \$12,500 of net income.
- (2) From 2% to 1% on the next \$37,500 of net income.
- (3) From 3% to 1.5% on net income in excess of \$50,000.

Proposed law prohibits tax from being assessed, levied, collected, and paid upon the taxable income of an individual for tax years beginning on or after Jan. 1, 2026.

Present law provides for a tax to be assessed, levied, collected, and paid on the La. taxable income of an estate or trust at the following rates:

- (1) 2% on the first \$10,000 of La. taxable income.

- (2) 4% on the next \$40,000 of La. taxable income.
- (3) 6% on La. taxable income in excess of \$50,000.

Proposed law changes present law for tax years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by reducing the tax rates for taxes levied on estates and trusts as follows:

- (1) From 2% to 1.5% on the first \$10,000 of La. taxable income.
- (2) From 4% to 3% on the next \$40,000 of La. taxable income.
- (3) From 6% to 4.5% on La. taxable income in excess of \$50,000.

Proposed law provides for the further reduction of the tax levied on the taxable income of estates and trusts for tax years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, as follows:

- (1) From 1.5% to 1% on the first \$10,000 of La. taxable income.
- (2) From 3% to 2% on the next \$40,000 of La. taxable income.
- (3) From 4.5% to 3% on La. taxable income in excess of \$50,000.

Proposed law provides for the further reduction of the tax levied on the taxable income of estates and trusts for tax years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1% to .5% on the first \$10,000 of La. taxable income.
- (2) From 2% to 1% on the next \$40,000 of La. taxable income.
- (3) From 3% to 1.5% on La. taxable income in excess of \$50,000.

Proposed law prohibits tax from being assessed, levied, collected, and paid on the taxable income of an estate or trust beginning on or after Jan. 1, 2026.

Present law includes various tax incentives in the form of credits, deductions, and exemptions from individual income tax and income taxes levied on estates and trusts which reduce a taxpayer's overall tax liability.

Proposed law retains present law but reduces the value of the tax credits, deductions, and exemptions that may be claimed on a tax return to reduce a taxpayer's tax liability as follows:

- (1) For taxable years beginning on or after Jan. 1, 2023, but before Jan. 1, 2024, by 25%.
- (2) For taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by 50%.
- (3) For taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, by 75%.
- (4) For taxable years beginning on or after Jan. 1, 2026, by 100%.

Present constitution and present law authorize a state deduction for federal income taxes paid for purposes of computing income taxes for the same period.

Proposed law repeals the present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual income taxes and the taxes of estates and trusts.

Proposed law applies to all tax periods beginning on or after Jan. 1, 2023.

Effective Jan. 1, 2023, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 526 of this 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 293(10), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:32.1 and 300.12; Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Specify the House Bill No. of the proposed constitutional amendment to which the effectiveness of proposed law is tied.