LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 546** HLS 21RS 731
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 26, 2021 7:03 PM
Author: PRESSLY
Dept./Agy.: Revenue
Subject: Individual Income Tax
Analyst: Greg Albrecht

TAX/STATE OR +$172,000,000 GF RV See Note

Reduces the rates and brackets for purposes of calculating individual income tax liability and the tax liability for estates and trusts and modifies certain income tax credits, exemptions, and deductions

Proposed law modifies the individual income tax to impose a single rate of 4% on net income in excess of $12,500. Standard deductions are increased to $10,260 single and $20,520 joint (from the current $4,500/$9,000 levels). The bill eliminates the deduction for federal income taxes paid and the deduction for excess federal itemized deductions.

The bill also repeals the Earned Income Tax Credit, the Historic Rehabilitation Credit, and the School Readiness Credits.

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	($55,900,000)	($142,500,000)	$141,900,000	$172,000,000	**$115,500,000**
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**	**($55,900,000)**	**($142,500,000)**	**$141,900,000**	**$172,000,000**	**$115,500,000**

EXPENDITURE EXPLANATION

The Department of Revenue indicates that the costs to modify and test tax systems to incorporate the additional adjustment to income provided by the bill would be approximately $26,000 of staff time, for the personal income tax changes. The credit program changes will incur additional costs to incorporate.

REVENUE EXPLANATION

The bill is estimated to result in an aggregate annual tax table liability decrease of $257 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.

The tax year tax table liability change estimate is translated to fiscal year receipt estimates in the revenue table above in consultation with the Dept. of Revenue 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 down 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 Earned Income Tax Credit ($68.5 million per year), the Historic Rehabilitation Credit ($60 million per year), and the School Readiness Credits ($19 million per year), with the latter two showing up on both individual and corporate tax returns. These credit program terminations effectively generate positive offsets to the tax table liability reduction, with those offsets beginning in FY24, and ramping up over three fiscal years based on filing patterns for tax year returns; individuals: 95% in the first year with remaining 5% by second year, and corporations: 18% in the first year, 72% of balance in the second year, with remaining 10% by third year. These offsetting effects are incorporated into the revenue table above, with tax table liability losses in the first two fiscal years of effectiveness more than completely offset by the third and fourth fiscal years as the credit program terminations are fully realized.

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}

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