



LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 134

Fiscal Note On: **SB 159** SLS 21RS 391

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 15, 2021	10:23 AM	Author: ALLAIN
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Income Tax		

TAX/TAXATION

EN SEE FISC NOTE GF RV See Note

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Constitutional amendment to reduce the maximum rate of individual income tax and to provide for a federal income tax deduction as provided by law. (2/3 - CA13s1(A))

Present constitution allows income taxes to be graduated according to the level of income, requires a deduction of federal income taxes paid when computing state income taxes, and prohibits the rates and brackets from exceeding those in effect on January 1, 2003.

Proposed constitution requires that the maximum state individual income tax rate on individuals shall be 4.75%, for tax years beginning after December 21, 2021, and eliminates the requirement for a federal income taxes paid deduction for income tax (applicable to both individual and corporate income tax). A deduction for federal income taxes paid may be provided by law.

To be submitted to the electors at the statewide election to be held on October 9, 2021.

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.	SEE BELOW	\$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

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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The amendment has contingent upon its adoption modifications to the individual and corporate income taxes for tax year 2022, and the corporate franchise tax for tax year 2023. While not effective until and if adopted at a statewide election in October 2021, the Department of Revenue may have to incur costs or system modification and testing in an expedited fashion this summer and fall (the first half of FY22) to be prepared for adoption. These costs are typically several thousands of dollars of staff time. The enrolled general appropriations bill for FY22 provides \$2 million of funding for a statewide election this fall.

REVENUE EXPLANATION

The deduction for federal taxes paid and the rate and bracket structure of the individual and corporate income taxes are currently provided in statute. This constitutional amendment does not change those statutory provisions, and does not prohibit a federal tax deduction for income tax. This amendment does mandate a maximum 4.75% rate for individual income tax effective for tax years beginning after December 31, 2021 (the 2022 tax year). This is one and a quarter percentage points lower than the current law top marginal tax rate of 6% for individual income tax. Taken in isolation, the bill reduces total tax liabilities by over \$278 million.

However, this amendment has other statutory changes contingent upon its adoption. These other bills (HB 278, HB 292, and SB 161), affecting both individual and corporate income tax and the corporate franchise tax, modify the existing individual and corporate graduated rate and bracket structures and deductions for federal taxes paid, and excess itemized deductions, as well as the rate and bracket structure of the corporate franchise tax. The specific estimated fiscal effects of those bills are discussed in the fiscal notes associated with each bill. The individual income tax provisions (HB 278) are essentially revenue neutral from an aggregate state fiscal perspective. The combined corporate tax impact (HB 292, corporate income tax) and (SB 161, franchise tax) is also closely revenue neutral in FY22 -\$2.2M and FY23 +\$1.1M, and then becomes a net revenue decrease in each subsequent year; FY24 -\$21.1M, FY25 -\$26.7M, FY26 and beyond -\$26.7M. Over the five-year fiscal note horizon, the two bills result in a \$75.6M revenue decrease.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Christopher A. Keaton
Legislative Fiscal Officer