

2023 Regular Session

HOUSE BILL NO. 303

BY REPRESENTATIVE IVEY

TAX/INCOME TAX: Provides for a flat rate for purposes of calculating income tax for individuals, estates, and trusts and modifies certain income tax deductions and credits

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 293(9)(a)(iv) and (10), 294, 295(A) and (B), and 300.1  
3 and to repeal R.S. 47:32(B), 79(A) and (B), 297(A), and 297.8, relative to income  
4 tax; to provide for a flat income tax rate for individuals, estates, and trusts; to provide  
5 for the calculation of individual income tax liability; to provide for certain  
6 deductions and credits; to reduce certain deductions and credits; to provide for  
7 limitations and restrictions; to provide for personal exemptions and credits for  
8 dependents; to repeal the earned income tax credit; to provide for the rates and  
9 brackets for estates and trusts; to provide for applicability; to provide for an effective  
10 date; and to provide for related matters.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 47:32(A), 293(9)(a)(iv) and (10), 294, 295(A) and (B), and 300.1 are  
13 hereby amended and reenacted to read as follows:

14 §32. Rates of tax

15 A. ~~On individuals.~~ The tax to be assessed, levied, collected, and paid upon  
16 the taxable income of an individual shall be computed at the ~~following rates:~~

17 ~~(1) One and eighty-five one hundredths percent on that portion of the first~~  
18 ~~twelve thousand five hundred dollars of net income which is in excess of the credits~~  
19 ~~against net income provided for in R.S. 47:79.~~



1 adjusted gross income; any gratuitous grant, loan, rebate, tax credit, advance refund,  
 2 or other qualified disaster relief benefit directly or indirectly provided to a taxpayer  
 3 by the state or federal government as a COVID-19 relief benefit as defined in R.S.  
 4 47:297.16 if the benefit was included in the taxpayer's federal adjusted gross income;  
 5 the exclusion provided for in R.S. 47:297.3 for S Bank shareholders; the deduction  
 6 for expenses disallowed by 26 U.S.C. 280C; salaries, wages, or other compensation  
 7 received for disaster or emergency-related work rendered during a declared state  
 8 disaster or emergency; wages of nonresident individuals who are eligible for the  
 9 mobile workforce exemption pursuant to R.S. 47:248; the deduction for net capital  
 10 gains; the pass-through entity exclusion provided in R.S. 47:297.14; the exemption  
 11 for military survivor benefit plan payments pursuant to R.S. 47:297.17; and standard,  
 12 personal, and dependent ~~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 §294. ~~Personal exemptions and credit for dependents~~ Standard, personal, and  
 18 dependent deductions

19 ~~All personal exemptions and deductions for dependents allowed in~~  
 20 ~~determining federal income tax liability, including the extra exemption for the blind~~  
 21 ~~and aged, will be allowed in determining the tax liability in this Part.~~ Taxpayers are  
 22 required to use the same filing status and claim the same exemptions on their return  
 23 required to be filed under this Part as they used on their federal income tax return.  
 24 The amounts to be taken into consideration shall be as follows:

25 A. ~~A combined personal exemption and~~ standard deduction in the following  
 26 amounts:

27	<del>a.(1)</del> Single Individual	<del>\$ 4500.00</del>	<u>\$12,500</u>
28	<del>b.(2)</del> Married-Joint Return and a Qualified		
29	Surviving Spouse	<del>\$ 9000.00</del>	<u>\$25,000</u>





1           ~~(2) Three and one-half percent on the next forty thousand dollars of~~  
2           Louisiana taxable income.

3           ~~(3) Four and twenty-five one hundredths percent on Louisiana taxable~~  
4           ~~income in excess of fifty thousand dollars~~ rate established in R.S. 47:32(A) for  
5           individuals.

6           Section 2. R.S. 47:32(B), 79(A) and (B), 297(A), and 297.8 are hereby repealed in  
7           their entirety.

8           Section 3. This Act shall become effective on January 1, 2024 and shall apply to  
9           taxable periods beginning on or after January 1, 2024.

#### 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)]

HB 303 Original

2023 Regular Session

Ivey

**Abstract:** Changes the rates and brackets for purposes of calculating income tax for individuals, estates, and trusts from a graduated rate system to a single flat rate of 4.25%; modifies income tax credits and deductions; and eliminates the earned income tax credit.

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) 1.85% on the first \$12,500 of net income.
- (2) 3.5% on the next \$37,500 of net income.
- (3) 4.25% on net income in excess of \$50,000.

Proposed law removes the graduated schedule of rates and provides instead a flat 4.25% individual income tax rate.

Present law provides that in cases where taxpayers file a joint return of husband and wife, the combined tax shall be twice the combined tax of single filers.

Proposed law repeals present law.

Present law provides that all personal exemptions and deductions for dependents allowed in determining federal income tax liability shall be allowed in determining La. tax liability. Further provides for a combined personal exemption of \$4,500 for single, individual filers; \$9,000 for married, joint filers; \$4,500 for married, separate filers; and \$9,000 for filers who are the head of household.

Proposed law increases the combined personal exemption to \$12,500 for single, individual and married, separate filers. Also increases to \$25,000 the combined personal exemption

for married, joint filers, qualified surviving spouses, and filers who are the head of household.

Present law authorizes a credit of \$400 for each dependent who meets certain criteria.

Proposed law repeals present law in favor of a \$1,000 deduction for each dependent as defined in present law.

Present law authorizes an additional deduction of \$1,000 for each allowable exemption in excess of those required to qualify for the exemption allowable under present law (R.S. 47:294(A)).

Proposed law provides an exemption of \$1,000 for a taxpayer who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability. Provides a deduction of \$1,000 for each dependent allowed, in determining federal income tax liability, who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability. Additionally, provides a deduction of \$1,000 for each dependent as allowed in determining federal income tax liability. Provides definitions and requirements for claiming the exemptions.

Present law requires the secretary of the Dept. of Revenue (DOR) to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that does not exceed \$250. Proposed law removes requirement that the range not exceed \$250.

Present law further requires the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemptions and deductions in present law which are deducted from the 1.85% bracket. If the combined exemptions and deductions exceed the 1.85% bracket, the excess is deducted from the 3.5% bracket, and then the 4.25% bracket.

Proposed law repeals present law.

Present law defines "tax table income" for resident individuals as the adjusted gross income plus interest on certain state or political subdivision obligations less items such as gratuitous grants, loans, or other disaster benefits included in federal adjusted gross income, federal income tax liability, amount deposited into medical or educational savings accounts, and excess personal exemptions and deductions.

Proposed law retains present law but adds to the list of income not included in "tax table income" the standard, personal, and dependent deductions provided for in proposed law.

Present law provides for an individual income tax credit based on the taxpayer's federal earned income tax credit authorized under federal law (Section 32 of the Internal Revenue Code). The amount of the credit is 5% of the amount of the taxpayer's federal earned income tax credit through Dec. 31, 2030. Beginning Jan. 1, 2031, the amount of the credit is 3.5% of the amount of the taxpayer's federal earned income tax credit.

Proposed law repeals present law.

Present law provides for the computation of La. taxable income for a resident estate or trust, including provisions for the federal income tax deduction, limitations of deductions for net income, provisions for the federal deduction for alternative minimum tax, and the authority of the secretary of the Dept. of Revenue to consider reductions to the federal income tax deduction and the determination of the deductible portion of an alternative minimum tax.

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) 1.85% on the first \$10,000 of La. taxable income.
- (2) 3.5% on the next \$40,000 of La. taxable income.
- (3) 4.25% on La. taxable income in excess of \$50,000.

Proposed law removes the graduated schedule of rates and provides instead a flat 4.25% rate on taxable income of an estate or trust.

Applicable to taxable periods beginning on or after Jan. 1, 2024.

Effective January 1, 2024.

(Amends R.S. 47:32(A), 293(9)(a)(iv) and (10), 294, 295(A) and (B), and 300.1; Repeals R.S. 47:32(B), 79(A) and (B), 297(A), and 297.8)