
DIGEST

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HB 417 Original

2023 Regular Session

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Abstract: Beginning with Fiscal Year 2024-2025, establishes the La. Sustainability Limit (limit) to restrict the growth in the total amount of state general fund and dedicated fund monies the legislature may appropriate in any fiscal year to the 10-year average percentage rate of change in the state's gross domestic product (GDP) and provides for uses of any recognized revenues above the La. Sustainability Limit and below the expenditure limit.

Present constitution requires the legislature to provide for the determination of an expenditure limit for each fiscal year state general fund and dedicated fund appropriations.

Proposed law establishes the limit for Fiscal Year 2024-2025 and for each fiscal year thereafter to restrict the growth in the total amount of state general fund and dedicated fund monies the legislature may appropriate in any fiscal year. Further provides that the initial limit shall be the actual appropriations from the state general fund and dedicated funds for Fiscal Year 2022-2023. Thereafter, the limit shall be calculated by applying a growth factor to the actual appropriations from the state general fund and dedicated funds for the immediately prior fiscal year, except for appropriations authorized by proposed law in excess of the limit, as detailed below. Establishes the "growth factor" as the 10-year average percentage rate of change in the state's GDP, as defined and reported by the U.S. Dept. of Commerce or its successor agency, for the 10 fiscal years immediately preceding the fiscal year in which the limit is being calculated.

Proposed law further requires that if the La. Sustainability Limit calculated for any fiscal year exceeds the expenditure limit calculated for the same fiscal year, the La. Sustainability Limit shall be equal to the expenditure limit for that fiscal year. Additionally provides that if the legislature lowers the expenditure limit in a fiscal year and the resulting limit is lower than the La. Sustainability Limit for that fiscal year, the La. Sustainability Limit for that fiscal year is automatically lowered to equal the expenditure limit set by the legislature.

Proposed law provides that recurring revenue amounts recognized in the official forecast above the La. Sustainability Limit and below the expenditure limit may only be appropriated for the following:

- (1) Any purpose for which nonrecurring revenue may be appropriated pursuant to present constitution (Art. VII, Sec. 10(D)(2)), including but not limited to: payments against the unfunded accrued liability of public retirement systems, capital outlay projects in the comprehensive state capital budget, deposit into the Budget Stabilization Fund, and deposit into the Coastal Protection and Restoration Fund.
- (2) Providing a one-time nonrefundable tax credit against individual income tax liability, as

provided by proposed law.

Proposed law provides that the limit does not apply to the appropriation of funds from the Budget Stabilization Fund incorporated into the official forecast for the current fiscal year. Further authorizes the legislature to raise the limit for the ensuing fiscal year if all of the following conditions are met:

- (1) In the immediately prior fiscal year, monies from the Budget Stabilization Fund were incorporated into the official forecast for that fiscal year.
- (2) The official forecast for the ensuing fiscal year reflects growth in state general fund revenues relative to the current fiscal year.

Requires any change to the limit be approved by passage of a concurrent resolution by a 2/3 vote of the legislature, which resolution clearly states the legislature's intent to change the limit.

For purposes of proposed law, defines the term "state general fund and dedicated funds" to have the same meaning as present constitution (Art. VII, Sec.10).

Further provides that present law does not apply to or affect funds allocated by present constitution (Art. VII, Sec. 4(D) and (E)).

Present law (R.S. 39:34) prohibits the executive budget recommendations for appropriations from exceeding the expenditure limit for the ensuing fiscal year. Proposed law prohibits the recommendations for appropriations from exceeding the lesser of the La. Sustainability Limit or the expenditure limit.

Present law (R.S. 39:38) requires any proposal by the governor to exceed the expenditure limit to be itemized by program and to constitute a submission by the governor separate and apart from the executive budget. Proposed law provides that any proposal by the governor to exceed the expenditure limit or the La. Sustainability Limit shall constitute a separate submission from the executive budget.

Present law (R.S. 39:54) prohibits appropriations by the legislature from the state general fund and dedicated funds for any fiscal year from exceeding the expenditure limit. Proposed law prohibits appropriations by the legislature from the state general fund and dedicated funds for any fiscal year from exceeding lesser of the La. Sustainability Limit or the expenditure limit.

Proposed law (R.S. 47:6361 et seq.) establishes the Excess Revenues Return Fund (fund) and the mechanism for calculating any tax credit awarded pursuant to proposed law.

Proposed law establishes the fund in the state treasury and requires unencumbered monies in the fund on July 30 each year to be deposited into the state general fund. Monies in the fund are to be used to offset any decrease in ensuing fiscal year revenue collections due to use of current year amounts above the limit for tax credits

Proposed law establishes the requirements for authorization of a tax credit to offset excess revenue collections above the limit. Requires the legislature to pass a concurrent resolution which clearly states both the intent to grant the tax credit and the total amount of revenue to be offset by a credit. Further requires any credit authorized pursuant to proposed law to be a nonrefundable credit against individual income tax liability. Requires the legislature to deposit into the fund an amount equal to the amount to be offset by the authorized tax credits *if* current fiscal year excess revenues are the justification for the credit.

Proposed law defines "qualified individual" for the purposes of proposed law as follows:

- (1) A natural person who was domiciled in Louisiana for the entire taxable year preceding the year in which the return fund monies are distributed and who has state income tax liability for that year.
- (2) A natural person who was domiciled in Louisiana from January first of the year preceding the year in which the return fund monies are distributed through the date of his death and whose estate files a state income tax return for that year.

Proposed law further provides that the term "qualified individual" does not include a natural person who was incarcerated for a total of one hundred eighty days or more during the taxable year preceding the year in which the return fund monies are distributed.

Proposed law requires the Secretary of the Department of Revenue, no later than the first Sept. 1 following the passage of a legislative instrument evidencing intent to grant a tax credit pursuant to proposed law, to submit to the Joint Legislative Committee on the Budget a calculation of the amount that would be due to each qualified individual if the money were distributed on a pro rata basis. Requires such calculation to be made by dividing the total amount of revenue to be offset by the credit by the total number of qualified individuals as of the immediately prior tax year. Requires the Joint Legislative Committee on the Budget to certify the calculation before any credit may be claimed.

If the result of the certified calculation is an amount less than or equal to fifteen dollars, proposed law provides that each qualified individual filing a state income tax return for the taxable year in which the calculation was performed shall receive a nonrefundable income tax credit equal to the certified amount. If two qualified individuals file a joint return, provides that the amount of the nonrefundable income tax credit shall be double the certified amount.

If the result of the certified calculation is an amount greater than fifteen dollars, proposed law provides that the nonrefundable state income tax credit shall be awarded to an individual filer as follows:

- (1) If the qualified individual's adjusted gross income for the taxable year in which the calculation was performed is less than or equal to \$25,000, the credit shall be an amount equal to 25% of the certified amount.

- (2) If the qualified individual's adjusted gross income for the taxable year in which the calculation was performed is greater than \$25,000 and less than \$50,000, the credit shall be an amount equal to 23% of the certified amount.
- (3) If the qualified individual's adjusted gross income for the taxable year in which the calculation was performed is equal to or greater than \$50,000 and less than \$75,000, the credit shall be an amount equal to 19% of the certified amount.
- (4) If the qualified individual's adjusted gross income for the taxable year in which the calculation was performed is equal to or greater than \$75,000 and less than \$100,000, the credit shall be an amount equal to 12% of the certified amount.
- (5) If the qualified individual's adjusted gross income for the taxable year in which the calculation was performed is equal to or greater than \$100,000 and less than \$125,000, the credit shall be an amount equal to 11% of the certified amount.
- (6) If the qualified individual's adjusted gross income for the taxable year in which the calculation was performed is equal to or greater than \$125,000, the credit shall be an amount equal to 10% of the certified amount.

Proposed law further provides that if the result of the certified calculation is an amount greater than \$15.00, the nonrefundable state income tax credit awarded to two qualified individuals filing a joint return shall be an amount equal to double the credit awarded pursuant to proposed law according to their aggregate adjusted gross income.

Proposed law authorizes the secretary of the Department of Revenue to promulgate rules in accordance with the Administrative Procedure Act, including emergency rules, as are necessary to implement the provisions of proposed law.

(Amends R.S. 39:34(C), 38(B), and 54(C); Adds R.S. 39:33.3 and R.S. 47:6361-6364)