



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 121** SLS 23RS 314
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 15, 2023	4:36 PM	Author: FOIL
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Individual Income Tax: Retirement Income Deduction		

TAX/INCOME/PERSONAL OR -\$663,000,000 GF RV See Note Page 1 of 1
 Provides for an individual income tax exemption for all annual retirement income of individuals sixty-five years of age or older. (8/1/23)

Proposed law increases the individual income tax deduction for annual retirement income from a \$6,000 deduction to a deduction applying to all retirement income, for individuals age 65 and above.

Applicable to taxable years beginning on or after January 1, 2024.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	\$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

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$165,000,000)	(\$825,000,000)	(\$663,000,000)	(\$667,000,000)	(\$670,000,000)	(\$2,990,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$165,000,000)	(\$825,000,000)	(\$663,000,000)	(\$667,000,000)	(\$670,000,000)	(\$2,990,000,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue is anticipated to incur minor costs in additional staff time to modify and test tax systems to accommodate the modified deduction.

REVENUE EXPLANATION

Proposed law increases the deduction for annual retirement income, defined in R.S. 47:44.1 as "pension and annuity income which is included in tax table income", from a deduction of up to \$6,000 to full deduction of all such income, for individuals age 65 and older. LFO notes that income eligible for this deduction does not include wage or salary income, but income from individual retirement accounts is explicitly included in the existing deduction, per LAC 61:I.1311.

Initial tax return data reflecting the first year of impacts of the recent tax reforms is not available at the time of this analysis. This estimate is generated by simulating the effects of the 2021 reforms as a baseline, then simulating the tax table income liability changes due to the proposed expanded deduction for comparison. This method yields the change in total tax table income for the 65+ LA population, and is therefore adjusted to exclude the estimated share of labor income (wage and salary) from the deduction.

From the tax table income tax changes, the bill is estimated to result in an initial full-year impact of a \$660 million reduction in state general fund, growing annually as the 65+ component of the LA population is anticipated to continue growing.

LFO assumes that virtually all of the liability change will be realized via payments and estimated payments (not materially affecting withholdings), thus the impact for Tax Year 24 will be partially realized in FY24, and partially realized in FY25. Revenue impacts would be staggered such that approximately one-fourth of the Tax Year 2024 impact would be realized in FY24. In FY25, the remaining three-fourths of Tax Year 2024, plus one-fourth of the Tax Year 2025 impact would be realized, and so on. This pattern, and the effects of anticipated growth of the 65+ population, are reflected in the table above.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 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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