



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 176** SLS 23RS 349
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 2, 2023	5:42 PM	Author: STINE
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Income Tax: Personal Exemption/Standard Deduction		

TAX/INCOME/PERSONAL OR -\$967,000,000 GF RV See Note Page 1 of 1
 Increases the individual income tax combined personal exemption and standard deduction. (8/1/23)

Current law provides that a combined personal exemption and standard deduction of \$4,500 for taxpayers filing as single or married filing separately, and \$9,000 for married filing jointly, head of household, or qualified widowers.

Proposed law effectively triples the combined personal exemption and standard deduction for purposes of the calculation of a taxpayer's Louisiana taxable income to \$13,500 and \$27,000, respectively. Proposed law additionally repeals provisions that require deductions to be deducted from the taxpayer's lowest bracket. Proposed law applies an annual inflation factor based on the CPI-U to the proposed combined personal exemption and standard deduction.

Applicable to taxable periods beginning on or after January 1, 2026.

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.	\$0	\$0	\$0	INCREASE	\$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	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$210,000,000)	(\$967,000,000)	(\$1,004,000,000)	(\$2,181,000,000)
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	\$0	\$0	(\$210,000,000)	(\$967,000,000)	(\$1,004,000,000)	(\$2,181,000,000)

EXPENDITURE EXPLANATION

LDR anticipates additional expenditures for computer system development and modification, tax table and tax form redesign, testing, and scanner modifications. These costs are estimated at approximately \$107,000 of staff time in FY27, to accommodate changes made applicable to taxable year 2026.

REVENUE EXPLANATION

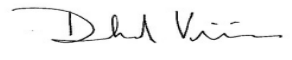
Proposed law effectively triples the combined personal exemptions and standard deductions, and additionally alters the method that LDR uses to arrive at the tax owed in the tax tables, beginning in taxable year 2026.

As a full year of tax returns under the current tax regime following significant reform in 2021 is not available, revenue impacts of proposed law are modeled in two steps. The Department of Revenue (LDR) simulated a baseline of current law using reported income from 2021 tax returns, applying 2022's tax rates and deductions. The results of this scenario were then used as an input, and modified again to simulate the effects of proposed law. The combined effect of increasing the combined exemptions/deductions and changing the tax table calculation of tax liability results in an initial estimated full-year revenue reduction of \$967 million in FY27.

The tax liability change for the taxable year impacts fiscal year revenue collections in a lagged manner, effectively resulting in roughly one quarter of effect on withholdings in the final quarter of the initial fiscal year impacted (FY26). A full-year impact is anticipated for FY27. A CPI-U growth rate of 2.0% is assumed for the inflation adjustment for taxable year 2027, resulting in new deductions of \$13,770 and \$27,540 respectively, reflected in the table above as an increase in the revenue impact in FY28 over FY27.

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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