2025 Regular Session

HOUSE BILL NO. 198

BY REPRESENTATIVE KNOX

TAX/INCOME-INDIV/EXEMPT: Authorizes an income tax deduction for tip income earned by taxpayers at or below certain income levels

1	AN ACT
2	To enact R.S. 47:293(9)(a)(xxvii) and 297.26, relative to individual income tax; to authorize
3	a deduction from tax table income for certain tip income; to provide for eligibility
4	for the deduction; to provide for the amount of the deduction; to provide for
5	termination of the deduction; to provide for definitions; to provide for applicability;
6	to provide for an effective date; and to provide for related matters.
7	Be it enacted by the Legislature of Louisiana:
8	Section 1. R.S. 47:293(9)(a)(xxvii) and 297.26 are hereby enacted to read as follows:
9	§293. Definitions
10	The following definitions shall apply throughout this Part, unless the context
11	requires otherwise:
12	* * *
13	(9)(a) "Tax table income", for resident individuals, means adjusted gross
14	income plus interest on obligations of a state or political subdivision thereof, other
15	than Louisiana and its municipalities, title to which obligations vested with the
16	resident individual on or subsequent to January 1, 1980, and less:
17	* * *

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	(xxvii) The deduction for tip income as authorized by R.S. 47:297.26.	
2	* * *	
3	§297.26. Tax deduction; tip income	
4	A. Subject to the limitations provided in Subsection C of this Section, there	
5	shall be allowed a deduction from tax table income for amounts of tip income, as	
6	defined in Subsection B of this Section, that a resident taxpayer receives in a taxable	
7	year.	
8	B. For purposes of this Section, the term "tip income" shall mean the total	
9	of all of the following amounts for any taxable year:	
10	(1) The amount reported as "social security tips" on the taxpayer's IRS Form	
11	W-2, or any successor to that form.	
12	(2) The amount reported as "allocated tips" on the taxpayer's IRS Form W-2,	
13	or any successor to that form.	
14	(3) The amount of cash and charge tips received less the amount of cash and	
15	charge tips reported to all employers as recorded on the taxpayer's IRS Form 4137,	
16	or any successor to that form.	
17	C.(1) The provisions of this Paragraph shall apply to any taxpayer who uses	
18	a filing status of single, head of household, or married-separate. The amount of the	
19	deduction shall be as follows:	
20	(a) If the taxpayer's adjusted gross income is equal to or less than sixty-one	
21	thousand dollars, the amount of the deduction shall be one hundred percent of tip	
22	income.	
23	(b) If the taxpayer's adjusted gross income is greater than sixty-one thousand	
24	dollars but equal to or less than sixty-two thousand dollars, the amount of the	
25	deduction shall be eighty percent of tip income.	
26	(c) If the taxpayer's adjusted gross income is greater than sixty-two thousand	
27	dollars but equal to or less than sixty-three thousand dollars, the amount of the	
28	deduction shall be sixty percent of tip income.	

1	(d) If the taxpayer's adjusted gross income is greater than sixty-three		
2	thousand dollars but equal to or less than sixty-four thousand dollars, the amount of		
3	the deduction shall be forty percent of tip income.		
4	(e) If the taxpayer's adjusted gross income is greater than sixty-four thousand		
5	dollars but equal to or less than sixty-five thousand dollars, the amount of the		
6	deduction shall be twenty percent of tip income.		
7	(f) No taxpayer shall be eligible for the deduction authorized by this		
8	Paragraph if his adjusted gross income in the taxable year is greater than sixty-five		
9	thousand dollars.		
10	(2) The provisions of this Paragraph shall apply to any taxpayer who uses a		
11	filing status of married-joint or qualified surviving spouse. The amount of the		
12	deduction shall be as follows:		
13	(a) If the taxpayer's adjusted gross income is equal to or less than one		
14	hundred twenty-two thousand dollars, the amount of the deduction shall be one		
15	hundred percent of tip income.		
16	(b) If the taxpayer's adjusted gross income is greater than one hundred		
17	twenty-two thousand dollars but equal to or less than one hundred twenty-four		
18	thousand dollars, the amount of the deduction shall be eighty percent of tip income.		
19	(c) If the taxpayer's adjusted gross income is greater than one hundred		
20	twenty-four thousand dollars but equal to or less than one hundred twenty-six		
21	thousand dollars, the amount of the deduction shall be sixty percent of tip income.		
22	(d) If the taxpayer's adjusted gross income is greater than one hundred		
23	twenty-six thousand dollars but equal to or less than one hundred twenty-eight		
24	thousand dollars, the amount of the deduction shall be forty percent of tip income.		
25	(e) If the taxpayer's adjusted gross income is greater than one hundred		
26	twenty-eight thousand dollars but equal to or less than one hundred thirty thousand		
27	dollars, the amount of the deduction shall be twenty percent of tip income.		

1	(f) No taxpayer shall be eligible for the deduction authorized by this
2	Paragraph if his adjusted gross income in the taxable year is greater than one hundred
3	thirty thousand dollars.
4	D. This Section shall terminate and be null, void, and without effect on and
5	after the effective date of any amendments to the Internal Revenue Code of 1986
6	which eliminate the application of the federal income tax to any amounts of income
7	derived from tips.
8	Section 2. The provisions of this Act shall apply to taxable periods beginning on or
9	after January 1, 2026.
10	Section 3. This Act shall become effective on January 1, 2026.

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 198 Original2025 Regular SessionKnox

Abstract: Authorizes an income tax deduction for tip income for resident individual filers with adjusted gross incomes (AGI) at or below certain levels.

<u>Proposed law</u> authorizes an income tax deduction, subject to limitations provided in <u>proposed law</u>, for amounts of tip income that a resident individual taxpayer receives in a taxable year.

<u>Proposed law</u> defines "tip income" as the total of all of the following amounts for any taxable year:

- (1) The amount reported as "social security tips" on the taxpayer's IRS Form W-2, or any successor to that form.
- (2) The amount reported as "allocated tips" on the taxpayer's IRS Form W-2, or any successor to that form.
- (3) The amount of cash and charge tips received less the amount of cash and charge tips reported to all employers as recorded on the taxpayer's IRS Form 4137, or any successor to that form.

<u>Proposed law</u> limits eligibility for the deduction for tip income to married joint filers and qualified surviving spouses with AGI of \$130,000 or less and all other filers (those using a filing status of single, head of household, or married-separate) with incomes of \$65,000 or less. The amount of the deduction decreases as a filer's AGI increases as follows:

Filer's AGI	Tip Deduction Amount
\$61,000 or less (\$122,000 or less for married joint filers and surviving spouses)	100%
\$61,001 to \$62,000 (\$122,001 to \$124,000 for married joint filers and surviving spouses)	80%
\$62,001 to \$63,000 (\$124,001 to \$126,000 for married joint filers and surviving spouses)	60%
\$63,001 to \$64,000 (\$126,001 to \$128,000 for married joint filers and surviving spouses)	40%
\$64,001 to \$65,000 (\$128,001 to \$130,000 for married joint filers and surviving spouses)	20%

Proposed law applies to taxable periods beginning on or after Jan. 1, 2026.

<u>Proposed law</u> terminates on the effective date of any amendments to the Internal Revenue Code which eliminate the application of the federal income tax to any amounts of tip income.

Effective Jan. 1, 2026.

(Adds R.S. 47:293(9)(a)(xxvii) and 297.26))