

2025 Regular Session

HOUSE BILL NO. 414

BY REPRESENTATIVE DEWITT

TAX/INCOME TAX: Exempts certain overtime compensation and income earned from tips from state income taxation

1 AN ACT

2 To enact R.S. 47:293(9)(a)(xxvii) and (xxviii), 297.26, and 297.27, relative to individual
3 income tax; to exempt certain overtime compensation from the calculation of tax
4 table income; to exempt certain income earned as tip compensation from the
5 calculation of tax table income; to provide for the amount of these deductions; to
6 provide for definitions; to provide for requirements and limitations; to authorize the
7 promulgation of rules; to provide for applicability; to provide for an effective date;
8 and to provide for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:293(9)(a)(xxvii) and (xxviii), 297.26, and 297.27 are hereby
11 enacted to read as follows:

12 §293. Definitions

13 The following definitions shall apply throughout this Part, unless the context
14 requires otherwise:

15 * * *

16 (9)(a) "Tax table income", for resident individuals, means adjusted gross
17 income plus interest on obligations of a state or political subdivision thereof, other
18 than Louisiana and its municipalities, title to which obligations vested with the
19 resident individual on or subsequent to January 1, 1980, and less:

20 * * *

1 (xxvii) The deduction for overtime compensation as provided for in R.S.
2 47:297.26.

3 (xxviii) The deduction for tip income as provided for in R.S. 47:297.27.

4 * * *

5 §297.26. Tax deduction; overtime compensation

6 A.(1) There shall be allowed a deduction from tax table income for overtime
7 compensation paid by an employer to an employee who is a resident individual in
8 this state. The amount of the deduction shall be equal to the actual amount of
9 overtime compensation earned by the taxpayer during a taxable year. The deduction
10 provided for in this Section shall be claimed on the tax return for the taxable year in
11 which the resident individual earned the overtime compensation.

12 (2) For purposes of this Section, the term "overtime compensation" shall
13 mean and include compensation paid by an employer to an employee as wages for
14 time worked by the employee in excess of a forty-hour workweek.

15 B. A taxpayer claiming the deduction authorized pursuant to the provisions
16 of this Section shall maintain all records and documentation relating to overtime
17 compensation earned and, if requested, shall provide the documentation to the
18 Department of Revenue when filing his individual income tax return.

19 C. The secretary of the Department of Revenue may promulgate rules in
20 accordance with the Administrative Procedures Act as are necessary to implement
21 the provisions of this Section, including rules related to submission of documentation
22 when claiming the deduction.

23 §297.27. Tax deduction; tip income

24 A.(1) There shall be allowed a deduction from tax table income for tip
25 income earned by a resident individual in this state. The amount of the deduction
26 shall be equal to the actual amount of tip income earned by the taxpayer during a
27 taxable year. The deduction provided for in this Section shall be claimed on the tax
28 return for the taxable year in which the resident individual earned the tip income.

1 (2) For purposes of this Section, the term "tip income" shall mean the total
2 of all of the following:

3 (a) The amount reported as "social security tips" on the taxpayer's IRS Form
4 W-2, or any successor to that form, for the taxable year.

5 (b) The amount reported as "allocated tips" on the taxpayer's IRS Form W-2,
6 or any successor to that form, for the taxable year.

7 (c) The amount of cash and charge tips received less the amount of cash and
8 charge tips reported to all employers as recorded on the taxpayer's IRS Form 4137,
9 or any successor to that form, for the taxable year.

10 B. A taxpayer claiming the deduction authorized pursuant to the provisions
11 of this Section shall maintain all records and documentation relating to tip income
12 earned and, if requested, shall provide the documentation to the Department of
13 Revenue when filing his individual income tax return.

14 C. The secretary of the Department of Revenue may promulgate rules in
15 accordance with the Administrative Procedures Act as are necessary to implement
16 the provisions of this Section, including rules related to submission of documentation
17 when claiming the deduction.

18 Section 2. The provisions of this Act shall be applicable to taxable years beginning
19 on or after January 1, 2026.

20 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 414 Original

2025 Regular Session

Dewitt

Abstract: Authorizes individual income tax deductions for compensation earned by resident individuals as overtime compensation and tip income.

Present law authorizes an income tax deduction for overtime compensation paid by an employer to an employee who is a resident individual in this state. The amount of the deduction shall be equal to the actual amount of overtime compensation earned by the taxpayer during a taxable year. Proposed law defines "overtime compensation" as compensation paid by an employer to an employee as wages for time worked by the employee in excess of a 40-hour workweek.

Proposed law authorizes an income tax deduction for tip income earned by a resident individual in this state. The amount of the deduction shall be equal to the actual amount of tip income earned by the taxpayer during a taxable year. Proposed law defines "tip income" as all of the following:

- (1) The amount reported as "social security tips" on the taxpayer's IRS Form W-2, or any successor to that form, for the taxable year.
- (2) The amount reported as "allocated tips" on the taxpayer's IRS Form W-2, or any successor to that form, for the taxable year.
- (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, for the taxable year.

Proposed law requires the deductions to be claimed on the tax return for the taxable year in which the resident individual earned the overtime compensation or tip income. Further requires the taxpayer claiming the deduction to maintain all records and documentation relating to overtime compensation earned or tip income earned and, if requested, shall provide the documentation to the Dept. of Revenue (DOR) when filing his tax return.

Proposed law authorizes the secretary of DOR to promulgate rules in accordance with the Administrative Procedures Act as are necessary to implement the provisions of proposed law.

Effective January 1, 2026, and applicable to taxable years beginning on or after January 1, 2026.

(Adds R.S. 47:293(9)(a)(xxvii) and (xxviii), 297.26, and 297.27)