LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 236** HLS 25RS 301
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 30, 2025 11:09 AM
Author: GLORIOSO
Dept./Agy.: Department of Revenue
Subject: Individual Income Tax Deduction: Homeowner Premiums
Analyst: Noah O'Dell

TAX/INCOME TAX OR -$69,900,000 GF RV See Note

Establishes an individual income tax deduction for certain property insurance policy premiums

Proposed law provides an income tax deduction for premiums paid for homeowner's insurance policies for a primary residence located in Louisiana for which the resident taxpayer claims a homestead exemption. Claimants are required to maintain all records necessary to verify the premiums paid, and provide them to the Department of Revenue (LDR), if requested, when filing his individual income tax return. LDR may promulgate rules necessary to implement the proposed law, including rules related to submission of documentation when claiming the credit.

Effective January 1, 2026 and applicable to homeowners' insurance policy premiums paid on or after January 1, 2026.

EXPENDITURES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	**$146,067**	**$96,116**	**$99,000**	**$101,970**	**$443,153**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$146,067**	**$96,116**	**$99,000**	**$101,970**	**$443,153**

REVENUES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	**($69,900,000)**	**($69,900,000)**	**($69,900,000)**	**($69,900,000)**	**($279,600,000)**
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**($69,900,000)**	**($69,900,000)**	**($69,900,000)**	**($69,900,000)**	**($279,600,000)**

EXPENDITURE EXPLANATION

LDR indicates the need for system updates ($52,750) and an additional employee ($93,307 salary and benefits growing by 3% annually) in the compliance section to manually review tax credit submissions for duplication, accuracy, proper documentation, etc., to be paid using self-generated revenue - see NOTE in revenue section. According to the 2024 Tax Commission Annual Report, about 1.2M properties currently receive the homestead exemption. Presumably, any of these property owners with a state income tax filing requirement could potentially claim the deduction in the bill.

REVENUE EXPLANATION

The bill is anticipated to decrease state general fund revenue by $69.9M annually beginning in FY 27 when 2026 tax returns are filed, though impacts could begin in FY 26 if withholdings are adjusted. The bill allows for an income tax deduction for homeowner's insurance policy premiums paid for a residential property in which the resident taxpayer claims a homestead exemption beginning in Tax Year 2026. LFO estimates the anticipated exposure from a combination of:

-Total Homeowner's Direct Premiums written in 2024
($3.234 billion, per the Department of Insurance)
-Estimated percentage of eligible primary residential property in the state for 2024
(72%, based on homestead exemptions claimed in the Tax Commission Annual Report)
-Income tax rate on homeowners, assuming no other tax circumstance allows for an exemption
(3%, individual income tax rate)

The resulting estimated SGF revenue impact is a loss of approximately <u>$69.9 million annually beginning in FY 27</u>. This estimate does not include anticipated increases or decreases in the cost or number of homeowner's insurance premiums written in future years. No limit exists on the maximum amount of income a single taxpayer can deduct for insurance premiums under the bill. LFO notes that the bill does not appear to address how married filing separately filers who jointly own the homestead exempt property would calculate the deduction.

NOTE: The SGF impact may originate as the LDR retention of 1% of income and sales tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		[ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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