



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 485** HLS 25RS 512

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2025	6:29 PM	Author: HILFERTY
Dept./Agy.: Department of Revenue		
Subject: Income Tax Deduction: Capital Gains		Analyst: Noah O'Dell

TAX/INCOME TAX

OR DECREASE GF RV See Note

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Establishes an individual income tax deduction for net capital gains

Proposed law authorizes an individual income tax deduction in the amount of 50% of the gains recognized and treated for federal income tax purposes arising from the sale or exchange of an equity interest in or substantially all of the assets of a nonpublicly traded corporation, partnership, limited liability company, or other business organization commercially domiciled in the state. The taxpayer must have held the equity interest in or assets of a nonpublicly traded business for a minimum of five years prior to the sale or exchange. The Department of Revenue (LDR) shall promulgate rules.

Effective upon signature of the governor is applicable to tax years beginning on or after January 1, 2025.

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.	INCREASE	\$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	\$0	\$0	\$0	\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

LDR is anticipated to incur one-time expenditures for minor system design updates, testing, and system development in support of tax return modifications. LFO believes the department is able to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

Act 11 of the 3rd ES repealed the deduction for net capital gains. The bill provides for a similar capital gains deduction, but limits the deduction to 50% regardless of the amount of time the equity interest or asset is held for prior to the sale. The bill is anticipated to decrease SGF revenue beginning in FY26 when 2025 returns are filed.

2023-2024 Tax Exemption Budget data shows the net capital gains deduction in prior law resulted in revenue loss of \$67.9M in FY24, \$86.9M in FY23, and \$41.8M in FY22. The deduction fluctuates in time, likely due to exogenous variables related to the sales of equity interest and assets, but averages approximately \$66M in revenue loss in the past three fiscal years. The deduction in the proposed measure is likely to result in similar fluctuations but potentially less revenue loss than in the past, due to the inability of taxpayers to receive an enhancement in the deduction for holding the equity/assets for 10, 15, 20, or 25 years under the old deduction. The bill offers a 50% net capital gains deduction regardless of the length of time the equity interest or asset is held, as long as it is held for a minimum of five years. LFO is unable to provide an exact estimate for the revenue loss associated with the bill, but anticipates **SGF revenue is anticipated to decrease by an amount likely to be in the tens of millions of dollars each fiscal year.**

Senate

Dual Referral Rules

House

☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

☒ 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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