



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 489** HLS 25RS 941
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 7, 2025 5:46 PM	Author: LANDRY, MANDIE
Dept./Agy.: Department of Revenue	Analyst: Noah O'Dell
Subject: Establishes Individual Income Tax Rates and Brackets	

TAX/INCOME TAX OR +\$197,700,000 GF RV See Note Page 1 of 1
 Establishes rates and brackets for purpose of calculating the tax levied on individual income

Current law provides for a flat tax rate of 3% to be paid on taxable income of an individual.

Proposed law establishes two tax bracket system. Taxpayers will be taxed 3% on the first \$500,000 of net income and 4.75% on net income in excess of \$500,000. Proposed law otherwise retains current law.

Effective for tax years beginning 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	\$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	\$0
REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$43,000,000	\$244,600,000	\$197,700,000	\$197,700,000	\$197,700,000	\$880,700,000
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	\$43,000,000	\$244,600,000	\$197,700,000	\$197,700,000	\$197,700,000	\$880,700,000

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

The current structure of individual income tax is based upon a single tax bracket consisting of a 3% flat rate to be paid on taxable income of an individual. The bill introduces an additional tax bracket with a rate of 4.75% to be paid on individual income above \$500,000.

The bill is anticipated to increase general fund revenue \$43 M in FY26, \$244.6 M in FY27, and \$197.4 M in each subsequent fiscal year as more than 19,000 taxpayers will be taxed at 4.75% instead of 3% on net income in excess of \$500,000 beginning in tax year 2026. This estimate is generated by a micro-simulation model processing the 2022 resident and nonresident individual income tax return data. The tax year liability change estimate is translated to fiscal year receipt estimates, reflected in the revenue table above.

The first fiscal year of effect will be FY26 with tax receipts affected through withholdings changes assuming a one-quarter lag for discernible impact. Receipts for the second fiscal year, FY27, will increase due to four quarters of withholdings, plus the catch-up of the first tax year's first quarter liability change when returns are filed, plus the amount of liability change typically realized on returns rather than through withholdings. The bill's tax year changes fully transition to fiscal year realizations by the third fiscal year, FY28, with tax table liability changes equal to fiscal year collections changes. No growth path has been assumed for purposes of the fiscal note, nor has an inflationary path been incorporated into the standard deduction tied to CPI-U in current law.

Note: A portion of the SGF impact may originate as the LDR retention of 1% of income 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
 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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