



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 402** HLS 25RS 872
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: **REVISED**

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| Date: May 15, 2025 | 11:20 AM | Author: KNOX |
| Dept./Agy.: Department of Revenue / Department of Veteran Affairs | | Analyst: Noah O'Dell |
| Subject: Income Tax Deduction: Veterans with Certain Disabilities | | |

TAX/INCOME TAX EG -\$11,300,000 GF RV See Note Page 1 of 1
Authorizes an income tax deduction for veterans with certain disabilities

Current law authorizes a standard deduction for resident taxpayers when filing individual income tax returns equal to \$12,500 for single filers. Beginning Jan. 1, 2026, the amount of the standard deduction shall be adjusting according to the Consumer Price Index US city average for all urban consumers (CPI-U) as reported by the Bureau of Labor Statistics, the previous year. Current law authorizes a \$6,000 exemption for individuals with a permanent total disability.

Proposed law provides for an additional standard deduction for each resident who is a veteran and has a service-connected disability rating of 50%+ by the US Dept. of Veteran Affairs in the amount equal to the standard deduction applicable for single filers. Taxpayers claiming the deduction are required to maintain records necessary to verify eligibility and, if requested, provide the records to the Department of Revenue (LDR). Effective Jan. 1, 2026 and applicable to tax years beginning on or after Jan. 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 | \$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. | \$0 | (\$11,300,000) | (\$11,500,000) | (\$11,600,000) | (\$11,800,000) | (\$46,200,000) |
| 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 | (\$11,300,000) | (\$11,500,000) | (\$11,600,000) | (\$11,800,000) | (\$46,200,000) |

EXPENDITURE EXPLANATION

The bill is anticipated to increase \$52,270 SGR within the Department of Revenue in FY27 related to computer system development, modification, and testing. The department reports the ability 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 bill is anticipated to decrease SGF revenue beginning in FY27 when 2026 returns are filed. The bill allows resident veterans with a service-connected disability rating of 50% or more by the US Dept. of Veteran Affairs to take a deduction in tax year 2026 equal to that of the standard deduction of a single filer (currently \$12,500 + annual inflation) in addition to the standard deduction and in some cases the permanent total disability exemption of \$6,000 and the retirement income exemption.

Data on the exact tax liability of the disabled veterans that are eligible for the deduction provided in the bill is unavailable. The LA Dept. of Veteran Affairs reports 59,113 veterans meet the disability rating specified in the bill. Assuming these individuals have income to take advantage of the deduction in the bill and the percentage of affected individuals is similar in nature to that of a 65+ deduction (proposed in other instruments this session), this deduction growing by inflation is **estimated to decrease SGF revenue by \$11.3M in FY27, \$11.5M in FY28, \$11.6M in FY29, and \$11.8M in FY30.**

Note: This reduction will also reduce 1% of income tax collections retained and normally reverted by LDR as SGF; if not reverted, it would become an SGR reduction.

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| Senate | Dual Referral Rules | House | |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | <div>Deborah Vivien Chief Economist</div> |