

Regular Session, 2008

SENATE BILL NO. 87

BY SENATOR SHAW

TAX/TAXATION. Reduces individual income tax rates and brackets, and restores the full deduction for excess federal itemized personal deductions, to the same amounts as provided for prior to the enactment of the Stelly Plan (Act 51 of 2002) except for the reduction in rates for the lowest brackets. (gov sig)

1 AN ACT

2 To amend and reenact R.S. 47:32(A) and 293(3), relative to individual income tax; to
3 provide for a reduction of rates and brackets; to restore the full deduction for excess
4 federal itemized personal deductions; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 47:32(A) and 293(3) are hereby amended and reenacted to read as
7 follows:

8 §32. Rates of tax

9 A. On individuals. The tax to be assessed, levied, collected, and paid upon
10 the taxable income of an individual shall be computed at the following rates:

11 (1) Two percent on that portion of the first twelve thousand five hundred
12 dollars of net income which is in excess of the credits against net income provided
13 for in R.S. 47:79;

14 (2) Four percent on the next ~~twelve thousand five hundred~~ **thirty-seven**
15 **thousand five hundred** dollars of net income;

16 (3) Six percent on any amount of net income in excess of ~~twenty-five~~ **fifty**
17 thousand dollars of net income.

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§293. Definitions

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

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(3) "Excess federal itemized personal deductions" for the purposes of this Part, means the following percentages of the amount by which the federal itemized personal deductions exceed the amount of federal standard deductions which is designated for the filing status used for the taxable period on the individual income tax return required to be filed:

(a) For tax years beginning during calendar year 2007, fifty-seven and one half percent of such excess federal itemized personal deductions.

(b) For tax years beginning during calendar year 2008, ~~sixty-five~~ **one hundred** percent of such excess federal itemized personal deductions.

~~(c) For all tax years beginning on and after January 1, 2009, one hundred percent of such excess federal itemized personal deductions.~~

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Section 2. The provisions of this Act shall be applicable for all tax years beginning after December 31, 2007.

Section 3. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Riley Boudreaux.

DIGEST

Proposed law provides a reduction of individual income tax rates and brackets and restores the deduction for excess federal itemized deductions to the same amounts as provided for prior to the enactment of the Stelly Plan (Act 51 of 2002), as follows:

Present law levies a rate of 2% on the first \$12,500 of net income.

Proposed law does not change present law.

Present law levies a rate of 4% on the next \$12,500 of net income, and 6% on net income above \$25,000.

Proposed law levies the 4% rate on the next \$37,500 of net income, thus reducing the rate to 4% for those with net incomes between \$25,001 and \$50,000, now subject to 6% under present law.

Present law is phasing-in the deduction for "excess federal itemized personal deductions" as follows: 57.5% allowed to be taken for the 2007 tax year; 65% for 2008; and 100% for 2009. That deduction, repealed by the "Stelly Plan" (Act 51 of 2002), allows a taxpayer to deduct from his income itemized deductions (such as mortgage interest and charitable contributions) on his federal return which are in excess of the taxpayer's standard deduction.

Proposed law restores the full deduction for "excess federal itemized personal deductions" in 2009 for tax returns filed for the 2008 tax year.

Effective upon signature of the governor or lapse of time for gubernatorial action and applies to all tax years beginning after December 31, 2007.

(Amends R.S. 47:32(A) and 293(3))