

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 699** HLS 13RS 1196
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 29, 2013 7:39 AM	Author: THOMPSON, J
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Credit for overtime wages	

TAX/INCOME TAX EG DECREASE GF RV See Note Page 1 of 1
 Establishes an individual income tax credit based upon overtime wages earned by eligible taxpayers whose employment is subject to the Fair Labor Standards Act

Proposed law creates an income tax credit for those with a job subject to the Fair Labor Standards Act and an adjusted gross income of \$50,000 or less. The credit is 4% of the amount of overtime wages the taxpayer received during the tax year up to a maximum of \$500 per return, regardless of filing status. Employers are required to maintain records of overtime wages paid and retain the records for three years. Effective for all tax years beginning on and after January 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The department will incur relatively small one-time costs related to adding this credit to the tax processing systems.

REVENUE EXPLANATION

2011 tax data indicates that about 1.108 million filers have adjusted gross income of \$50,000 or less. The aggregate AGI of these filers is \$24.412B. Federal tax return data for Louisiana residents indicates that about 74% of AGI is salaries and wages, or \$18.065B. According to the Bureau of Labor Statistics, an estimate of the overtime wages as a percentage of regular wages is 1%, which implies some \$180.650M of total overtime wages. The 4% credit provided by the bill implies, state revenue losses of some \$7.2M per year. However, the bill limits the credit per return to \$500. This limitation will likely restrict the credit for some portion of affected filers. Since neither state or federal return data indicates the number of returns with overtime wages included in their AGI and the tax liability associated with those affected returns, a more specific estimate of the bill's effect can not be generated, and this estimate would be a maximum exposure the state could expect.

Since the bill is effective beginning with tax year 2014, the first fiscal effect is expected to be in FY 15.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {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} |

Gregory V. Albrecht
Chief Economist