

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 78** HLS 161ES 196
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 20, 2016 2:01 PM	Author: IVEY
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Federal Income Tax Deduction	

TAX/INCOME TAX OR SEE FISC NOTE GF RV See Note Page 1 of 1
 (Constitutional Amendment) Eliminates the income tax deduction for federal income taxes paid and provides for the maximum rate for individual income tax (Item #2, 3, 17, and 19)
Current law requires a deduction for 100% of federal income taxes paid when computing state income taxes, as well as limits individual income tax rates and brackets to no greater than those in effect on January 1, 2003.

Proposed law removes the requirement for the federal income tax deduction, as well as the rate and bracket limitation, except to set a maximum tax rate of 6%.

Effective for all tax years beginning on and after January 1, 2017.

To be submitted to the electors at the statewide election to be held on November 8, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill removes the constitutional requirement for the deduction of federal income taxes paid when computing state income tax, but does not appear to prohibit the deduction. The revised statutes provide for the deduction in R.S. 47:293(4) and 293 (9)(a)(ii). These statutory provisions are not affected by this bill. Thus, the bill by itself does not change tax liabilities.

For information purposes, based on a micro-simulation model of the state personal income tax, processing 2014 tax return data, elimination of the federal income tax deduction would increase aggregate income tax liabilities of individuals by some \$748 million. This estimate is based only on resident filers. Nonresident filers would also be affected, and their omission from the model works to understate the estimate somewhat. Nonresidents tend to make up 5% - 6% of total tax-year liabilities.

Based on fiscal year data from the Revenue Department 2015-16 Tax Exemption Budget, if the statutory deduction were also eliminated for corporate income tax filers, provided by R.S. 47:55, 47:241, and 47:287.85, approximately \$200 million of additional corporate tax liability would occur.

Senate Dual Referral Rules House

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| <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 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} |

John D. Carpenter
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Legislative Fiscal Officer