HLS 19RS-690 ENGROSSED

2019 Regular Session

HOUSE BILL NO. 262

BY REPRESENTATIVE STOKES

TAX/INCOME TAX: Changes the rates and brackets for purposes of calculating individual income tax liability and eliminates or modifies certain deductions, exemptions, and credits

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1, 3 300.6(A), and 300.7(A), to enact R.S. 47:293(3)(d) and (9)(a)(xviii), and to repeal 4 R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A) and (D)(2), and 298, relative 5 to the individual income tax; to provide for the calculation of individual income tax 6 liability; to provide for the rates and brackets for individual income tax; to provide 7 for certain deductions and credits; to reduce certain deductions and credits; to reduce 8 the amount of personal deductions and personal exemptions and credits for 9 dependents; to provide with respect to the deduction for excess federal itemized 10 personal deductions; to reduce the amount of the deduction; to provide for certain 11 requirements and limitations; to repeal the deductibility of federal income taxes paid 12 for purposes of calculating individual income tax; to repeal the credit for certain 13 educational expenses; to provide for applicability; to provide for effectiveness; and 14 to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 47:32(A), 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A) are hereby amended and reenacted and R.S. 47:293(3)(d) and (9)(a)(xviii) are hereby enacted to read as follows:

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	§32. Rates of tax
2	A. On individuals. The tax to be assessed, levied, collected and paid upon
3	the taxable income of an individual shall be computed at the following rates:
4	(1) Two percent No tax shall be assessed on that portion of the first twelve
5	thousand five hundred dollars of net income which is in excess of the credits against
6	net income provided for in R.S. 47:79;
7	(2) Four percent on the next thirty-seven thousand five hundred dollars of
8	net income;
9	(3) Six percent on any amount of net income in excess of fifty thousand
10	dollars of net income. Three and ninety-five one-hundredths of one percent on net
11	income in excess of twelve thousand five hundred dollars.
12	* * *
13	§293. Definitions
14	The following definitions shall apply throughout this Part, unless the context
15	requires otherwise:
16	* * *
17	(3) "Excess federal itemized personal deductions" for the purposes of this
18	Part, means the following percentages of the amount by which the federal itemized
19	personal deductions exceed the amount of federal standard deductions which is
20	designated for the filing status used for the taxable period on the individual income
21	tax return required to be filed:
22	* * *
23	(c) For all tax years beginning on and after January 1, 2009, but before
24	January 1, 2020, one hundred percent of such excess federal itemized personal
25	deductions.
26	(d) For tax years beginning on and after January 1, 2020, one hundred
27	percent of the amount of qualified residence interest on a Louisiana residence and
28	one hundred percent of the amount of charitable contributions used by the taxpayer
29	in the calculation of federal taxable income which exceed the amount of the federal

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1 standard deduction designated for the filing status of the taxpayer used for the 2 taxable period on the individual income tax return of the taxpayer. For purposes of this Paragraph, the term "qualified residence interest" has the meaning given to the 3 4 term in Section 163(h)(3) of the Internal Revenue Code and is subject to all applicable federal limitations and the term "charitable contribution" has the meaning 5 6 given to the terms in Section 170 of the Internal Revenue Code and is subject to all 7 applicable limitations. 8 9 (9)(a) "Tax table income", for resident individuals, means adjusted gross 10 income plus interest on obligations of a state or political subdivision thereof, other than Louisiana and its municipalities, title to which obligations vested with the 11 12 resident individual on or subsequent to January 1, 1980, and less: 13 14 (iv) The excess, if any, of the personal exemptions and deductions provided 15 for in R.S. 47:294 over the amount of the personal exemptions and deductions 16 already included in the tax tables promulgated by the secretary under authority of 17 R.S. 47:295. The personal and dependent deductions provided for in R.S. 47:294. 18 19 (xviii) Louisiana state income tax refunds which are included in federal 20 adjusted gross income. 21 22 (10) "Tax table income", for nonresident individuals, means the amount of 23 Louisiana income, as provided in this Part, allocated and apportioned under the 24 provisions of R.S. 47:241 through 247, plus the total amount of the personal 25 exemptions and deductions already included in the tax tables promulgated by the 26 secretary under authority of R.S. 47:295, less the proportionate amount of the 27 federal income tax liability, excess federal itemized personal deductions, the

temporary teacher deduction, the recreation volunteer and volunteer firefighter

deduction, the construction code retrofitting deduction, any gratuitous grant, loan,

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or other benefit directly or indirectly provided to a taxpayer by a hurricane recovery entity if such benefit was included in federal adjusted gross income, the exclusion provided for in R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by I.R.C. Section 280C, salaries, wages or other compensation received for disaster or emergency-related work rendered during a declared state disaster or emergency, the deduction for net capital gains, Louisiana state income tax refunds which are included in federal adjusted gross income, and personal exemptions and deductions provided for in R.S. 47:294. The proportionate amount is to be determined by the ratio of Louisiana income to federal adjusted gross income. When federal adjusted gross income is less than Louisiana income, the ratio shall be one hundred percent. §294. Personal Filing status; personal exemptions; and credit deduction for dependents All personal exemptions and deductions for dependents allowed in determining federal income tax liability, including the extra exemption for the blind and aged, will be allowed in determining the tax liability in this Part. Taxpayers are required to use the same filing status and claim the same exemptions on their return required to be filed under this Part as they used on their federal income tax return. The amounts to be taken into consideration shall be as follows: A. A combined personal exemption and standard deduction in the following amounts: a. Single Individual \$ 4500.00

a. Single Individual \$4500.00

b. Married-Joint Return and a Qualified Surviving Spouse \$9000.00

c. Married-Separate \$4500.00

d. Head of Household \$9000.00

B. An additional deduction of one thousand dollars shall be allowed for each allowable exemption in excess of those required to qualify for the exemption allowable under R.S. 47:294(A).

A. Personal Exemption. An exemption of one thousand dollars shall	be
allowed for a taxpayer who is blind or who has sustained the loss of one or me	ore
limbs or who has an intellectual disability or who is deaf. As used in this Section	on,
the term "blind" shall mean and refer to a person who, after examination by	<u>y a</u>
licensed physician skilled in diseases of the eye or by a licensed optometrist, l	<u>has</u>
been determined to have not more than 20/200 central visual acuity in the better of	<u>eye</u>
with correcting lenses, or an equally disabling loss of the visual field as evidence	<u>ced</u>
by a limitation to the field of vision in the better eye to such a degree that its wid	<u>lest</u>
diameter subtends an angle of no greater than twenty degrees. The term "deaf	<u>" is</u>
defined in Subsection B of this Section. Each person claiming an exemption un	der
the provisions of this Section shall prove the claim by a certificate from a qualif	<u>îied</u>
physician or optometrist.	
B. Deductions for dependents. (1) A deduction of one thousand dollars sh	<u>nall</u>
be allowed for each dependent allowed in determining federal income tax liabil	<u>lity</u>
who is blind or deaf or who has sustained the loss of one or more limbs or who	<u>has</u>
an intellectual disability. For purposes of this Section, the term "deaf" shall me	<u>ean</u>
and refer to persons whose hearing is so impaired that it is insufficient for use in	ı an
occupation or activity for which hearing is essential. The term "blind" is defined	<u>d in</u>
Subsection A of this Section. The taxpayer claiming the deduction authorized in t	<u>this</u>
Subsection shall prove the claim by a certificate from a qualified physician	or
optometrist issued for each dependent for which a deduction is claimed.	
(2) In addition to the deduction authorized in Paragraph (1) of t	<u>this</u>
Subsection, an additional deduction of one thousand dollars shall be allowed for ea	<u>ach</u>
dependent as allowed in determining federal income tax liability.	
§295. Tax imposed on individuals; administration	
* * *	
B. The secretary shall establish tax tables that calculate the tax owed	. by
taxpayers based upon where their taxable income falls within a range that shall	not
exceed two hundred fifty dollars. The secretary shall provide in the tax tables t	that

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the combined personal exemption, standard deduction, and other exemption deductions in R.S. 47:294 shall be deducted from the two percent bracket. If such combined exemptions and deductions exceed the two percent bracket, the excess shall be deducted from the four percent bracket. If such combined exemptions and deductions exceed the two and four percent brackets, the excess shall be deducted from the six percent bracket. §300.1. Tax imposed There is imposed an income tax for each taxable year upon the Louisiana taxable income of every estate or trust, whether resident or nonresident. The tax to be assessed, levied, collected, and paid upon the Louisiana taxable income of an estate or trust shall be computed at the following rates: (1) Two percent on the first ten thousand dollars No tax shall be assessed on the first twelve thousand five hundred dollars of Louisiana taxable income. (2) Four percent on the next forty thousand dollars of Louisiana taxable income. (3) Six percent on Louisiana taxable income in excess of fifty thousand dollars. Three and ninety-five one hundredths of one percent on Louisiana taxable income in excess of twelve thousand five hundred dollars. §300.6. Louisiana taxable income of resident estate or trust A. Definition. "Louisiana taxable income" of a resident estate or trust means the taxable income of the estate or trust determined in accordance with federal law for the same taxable year, as specifically modified by the provisions contained in Subsection B of this Section, less a federal income tax deduction to be computed following the provisions of R.S. 47:287.83 and 287.85. in accordance with the following provisions: (1) In computing Louisiana taxable income, no federal income tax deduction

shall be allowed on net income upon which no Louisiana income tax has been

2	be paid. When computing Louisiana taxable income, the secretary may consider
3	reductions to the federal income tax deduction in accordance with the provisions of
4	this Paragraph.
5	(2) The alternative minimum tax is a federal income tax deductible to the
6	extent that it is applicable to regular federal taxable income. Any alternative
7	minimum tax paid on tax preference items shall not be deductible. In accordance
8	with the provisions of this Paragraph, the secretary may determine the deductible
9	portion of the alternative minimum tax.
10	(3) For purposes of this Section, federal income taxes shall include taxes
11	based on net income, accumulated earnings, war profits, excess profits, personal
12	holding company income, and tax from recomputation of investment credit. For
13	purposes of federal income taxation as compared to the computation of net income
14	under this Part, proper adjustment shall be made for the actual tax rates as applied
15	to different classes of income and for all differences in the computation of net
16	income. The amount of the federal income tax deduction shall be that portion of the
17	total federal income tax, after application of all credits, which is levied on income
18	derived solely from sources in this state as computed under the rules and regulations
19	prescribed by the secretary.
20	(4) As used in this Subsection, the term "credits" shall not include
21	overpayments of prior year taxes allowed as a credit, estimated tax payments or
22	similar prepayments, credit for prior year alternative minimum tax that is allowed as
23	a credit against the current regular federal income tax, or federal income tax credits
24	determined by the secretary to be presidential disaster area disaster relief credits.
25	* * *
26	§300.7. Louisiana taxable income of nonresident estate or trust
27	A. Definition. "Louisiana taxable income" of a nonresident estate or trust
28	means such the portion of the taxable income of the nonresident estate or trust
29	determined in accordance with federal law for the same taxable year, as specifically

incurred, or upon which, for any reason whatsoever, no Louisiana income tax will

1 modified by the provisions contained in Subsection C of this Section, that was earned 2 within or derived from sources within this state, less a federal income tax deduction 3 to be computed following the provisions of R.S. 47:287.83 and 287.85 R.S. 47:300.6. 4 5 Section 2. R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A) and (D)(2), and 298 6 are hereby repealed in their entirety. 7 Section 3. The provisions of this Act shall be applicable to all taxable periods 8 beginning on and after January 1, 2020. 9 Section 4. This Act shall become effective on January 1, 2020, if the proposed 10 amendment of Article VII of the Constitution of Louisiana contained in the Act which 11 originated as House Bill No. of this 2019 Regular Session of the Legislature is adopted 12 at a statewide election and becomes effective.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 262 Engrossed

2019 Regular Session

Stokes

Abstract: Changes the rates and brackets for purposes of calculating individual income tax liability and estates and trusts income tax liability, eliminates the standard and certain dependency deductions, and modifies the deduction for excess federal itemized personal deductions.

<u>Present law</u> provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at the following rates:

- (1) 2% on the first \$12,500 of net income;
- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

<u>Proposed law</u> reduces individual income tax rates as follows:

- (1) From 2% on the first \$12,500 of net income to 0% on the first \$12,500 of net income.
- (2) From 4% on the next \$37,500 of net income and 6% on net income in excess of \$50,000 to 3.95% on net income in excess of \$12,500.

<u>Present law</u> provides that all personal exemptions and deductions for dependents allowed in determining federal income tax liability shall be allowed in determining La. tax liability. Further provides for a combined personal exemption of \$4,500 for single, individual filers,

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\$9,000 for married, joint filers, \$4,500 for married, separate filers, and \$9,000 for filers who are the head of household.

Proposed law repeals present law.

Present law authorizes a credit of \$400 for each dependent who meets certain criteria.

<u>Proposed law</u> repeals <u>present law</u> in favor of a \$1,000 deduction for each dependent as defined in <u>present law</u>.

<u>Present law</u> authorizes an additional deduction of \$1,000 for each allowable exemption in excess of those required to qualify for the exemption allowable under <u>present law</u>. (R.S. 47:294(A))

<u>Present law</u> requires the secretary to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that does not exceed \$250. Further requires the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemption deductions in <u>present law</u> which is deducted from the 2% bracket. If the combined exemptions and deductions exceed the 2% bracket, the excess is deducted from the 4% bracket, and then the 6% bracket.

<u>Proposed law</u> deletes the provisions authorizing the combined personal exemption, standard deduction, and other exemption deductions to be deducted from the income tax brackets.

<u>Present law</u> authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Excess federal itemized personal deductions is defined as 100% of the amount by which the federal itemized personal deductions exceed the amount of the federal standard deduction designated for the filing status used for the taxable period on the individual income tax return.

<u>Proposed law</u> changes <u>present law</u> to limit the expenses eligible to be claimed on a state return <u>to</u> 100% of the amount of qualified residence interest on a La. residence and 100% of the amount of charitable contributions used by the taxpayer in the calculation of federal taxable income which exceed the amount of the federal standard deduction.

<u>Proposed law</u> defines the terms "qualified residence interest" and "charitable contribution" to have the meanings ascribed to them in federal law.

<u>Present law</u> defines "tax table income" for resident individuals as the adjusted gross income plus interest on certain state or political subdivision obligations less items such as gratuitous grants, loans, or other disaster benefits included in federal adjusted gross income, federal income tax liability, amount deposited into medical or educational savings accounts, and excess personal exemptions and deductions.

<u>Proposed law</u> retains <u>present law</u> but adds to the list of income not included in "tax table income" state income tax refunds which are included in federal adjusted gross income.

<u>Present law</u> authorizes an \$18 per child tax credit for educational expenses incurred before Jan. 1, 2017, for each child attending kindergarten, elementary, or secondary school kindergarten through twelfth grade located in La.. This credit is not applicable if the taxpayer claimed the deduction for educational expenses provided for in <u>present law</u> for the child.

<u>Proposed law</u> repeals the \$18 per child tax credit for educational expenses incurred before Jan. 1, 2017.

<u>Present constitution</u> and <u>present law</u> authorize a state deduction for federal income taxes paid for purposes of computing income taxes for the same period.

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<u>Proposed law</u> repeals the <u>present law</u> provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual and estate and trust income taxes.

<u>Present law</u> provides for the computation of La. taxable income for a resident estate or trust, including provisions for the federal income tax deduction, limitations of deductions for net income, provisions for the federal deduction for alternative minimum tax, and the authority of the secretary of the Dept. of Revenue to consider reductions to the federal income tax deduction and the determination of the deductible portion of an alternative minimum tax.

<u>Proposed law</u> retains <u>present law</u> except as it applies to the deductibility of federal income taxes.

<u>Present law</u> provides for a tax to be assessed, levied, collected, and paid on the La. taxable income of an estate or trust at the following rates:

- (1) 2% on the first \$10,000 of La. taxable income.
- (2) 4% on the next \$40,000 of La. taxable income.
- (3) 6% on La. taxable income in excess of \$50,000.

Proposed law changes income tax rates on estates and trusts as follows:

- (1) <u>From</u> 2% on the first \$10,000 of La. taxable income <u>to</u> 0% on the first \$12,500 of La. taxable income.
- (2) <u>From</u> 4% on the next \$40,000 of La. taxable income and 6% on net income in excess of \$50,000 to 3.95% on La. taxable income in excess of \$12,500.

Applicable to all taxable periods beginning on and after Jan. 1, 2020.

Effective on Jan. 1, 2020, if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ____ of this 2019 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:293(3)(d) and (9)(a)(xviii); Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A) and (D)(2), and 298)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by <u>House Committee on Ways and Means</u> to the original bill:

- 1. Technical amendments to delete repetitive provisions regarding the personal exemption and dependency deductions that were superceded by the enactment of newer provisions in <u>present law</u>.
- 2. Technical amendments to clarify the elimination of the deductibility of federal income taxes paid.