
DIGEST

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HB 376 Engrossed

2021 Regular Session

Ivey

Abstract: Changes the rates and brackets for purposes of calculating income tax for individuals, estates, and trusts from a graduated rate system to a single flat rate of 4.25%; modifies income tax credits and deductions; and eliminates the deductibility of federal income taxes paid for purposes of calculating individual income taxes and income taxes on estates and trusts, the earned income tax credit, and the deduction for excess federal itemized personal deductions.

Present law 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.

Proposed law removes the graduated schedule of rates in favor of a flat 4.25% individual income tax rate.

Present law provides that in cases where taxpayers file a joint return of husband and wife, the combined tax shall be twice the combined tax of single filers.

Proposed law retains present law.

Present law 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; \$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 increases the combined personal exemption to \$12,500 for single, individual and married, separate filers. Also increases to \$25,000 the combined personal exemption for married, joint filers, qualified surviving spouses, and filers who are the head of household.

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

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

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

Proposed law provides an exemption of \$1,000 for a taxpayer who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability. Provides a deduction of \$1,000 for each dependent allowed, in determining federal income tax liability, who is blind, is deaf, has sustained the loss of one or more limbs, or has an intellectual disability. Additionally, provides a deduction of \$1,000 for each dependent as allowed in determining federal income tax liability. Provides definitions and requirements for claiming the exemptions.

Present law requires the secretary of the Dept. of Revenue 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. Proposed law removes requirement that the range not exceed \$250.

Present law further requires the secretary to provide in the tax tables the combined personal exemption, standard deduction, and other exemption deductions in present law which are 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.

Proposed law repeals present law.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. The term "excess federal itemized personal deductions" is defined to mean the amount by which the federal itemized personal deductions exceed the amount of federal standard deduction designated for the filing status used for the taxable period on the individual income tax return.

Proposed law repeals the present law deduction for excess federal itemized personal deductions.

Present law 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.

Proposed law retains present law but adds to the list of income not included in "tax table income" the standard, personal, and dependent deductions provided for in proposed law as well as state income tax paid which are included in federal adjusted gross income.

Present law provides for an individual income tax credit based on the taxpayer's federal earned income tax credit authorized under federal law (Section 32 of the Internal Revenue Code). The amount of the credit is 5% of the amount of the taxpayer's federal earned income tax credit through Dec. 31, 2025. Beginning Jan. 1, 2026, the amount of the credit is 3.5% of the amount of the

taxpayer's federal earned income tax credit.

Proposed law repeals the present law earned income tax credit.

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

Proposed law repeals the present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual income tax and the income tax on estates and trusts.

Present law 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.

Present law 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 removes the graduated schedule of rates in favor of a flat 4.25% rate on taxable income of an estate or trust.

Applicable to taxable periods beginning on or after Jan. 1, 2022.

Effective if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 369 of this 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:293(9)(a)(xx); Repeals R.S. 47:79(B), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A), 297.8, and 298)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Increase the flat rate for purposes of calculating individual income tax and the income

tax on estates and trusts from a rate of 4% to a rate of 4.25%.

2. Repeal the deduction for excess federal itemized personal deductions.
3. Repeal the earned income tax credit.
4. Remove the repeal of the deductibility of federal income taxes paid for purposes of calculating corporate income taxes from the provisions of proposed law.
5. Specify the House Bill No. of the proposed constitutional amendment to which the effectiveness of proposed law is tied.