

Prior law levied an income tax on individuals at the following rates for the following brackets:

<u>Rates</u>	<u>2% of net income</u>	<u>4% of net income</u>	<u>6% of net income</u>
Single	Up to \$10,000	\$10,000 to \$50,000	over \$50,000
Joint	Up to \$20,000	\$20,000 to \$100,000	over \$100,000

New law (referred to as the "Stelly Plan") changes the income tax rate and bracket structure in the following manner:

<u>Rates</u>	<u>2% of net income</u>	<u>4% of net income</u>	<u>6% of net income</u>
Single	Up to \$12,500	\$12,500 to \$25,000	over \$25,000
Joint	Up to \$25,000	\$25,000 to \$50,000	over \$50,000

Prior law provided for specific tax tables, based on the income tax brackets and rates provided for in R.S. 47:32, for individual taxpayers to utilize when determining the proper amount of income tax due each year.

New law deletes these tax tables and requires the secretary of the Dept. of Revenue to establish tax tables to calculate the tax owed by taxpayers based upon where their income falls within a range that shall not exceed \$250. The tables shall be based upon the tax brackets and rates set forth in R.S. 47:32.

Prior law required employers to deduct and withhold a tax according to the percentage method of withholding or wage bracket withholding. The percentage method provides for the deduction and withholding from employee wages according to the following rates:

<u>Filing Status</u>	<u>Tax Rate</u>
One Exemption	2% of the first \$5,000 of annual taxable wages
Two Exemptions	2% of the first \$15,000 of annual taxable wages and 3% of the excess of annual taxable wages over \$15,000

Prior law further provided for wage bracket withholding, which allows an employer to deduct withholding tax from employee wages according to tables prescribed by the secretary.

New law repeals the percentage method withholding and wage bracket withholding scheme and authorizes the secretary to promulgate withholding tax tables for employers to utilize in deducting withholding tax from employee wages.

Prior law allowed for excess federal itemized deductions, such as home mortgage interest, to be deducted from state income tax.

New law repeals this deduction.

Effective for taxable years beginning after December 31, 2002, but only if the constitutional amendment proposed in House Bill No. 31 of the 2002 R.S.,

which allows for a new limit on state individual income tax rates and prohibits the imposition of state sales and use tax on certain items, is adopted and becomes effective.

(Amends R.S. 47:32(A), 112(A), 287.445(C), 293(6)(a)(iv) and (7), 295, and 1623(D); Repeals R.S. 47:112(B) and (C), 293(2) and (6)(a)(i), and 296)