

2019 Regular Session

HOUSE BILL NO. 594

BY REPRESENTATIVE WRIGHT

TAX/INCOME TAX: Provides for reform of the state individual income tax

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 93(B), 241, 293(3) and (10), 294, 295(B), 300.1,  
3 300.6(A), and 300.7(A), to enact R.S. 47:55(6), 6006(G), and 6035(I), and to repeal  
4 R.S. 47:55(5), 79(B), (C), and (D), 293(4) and (9)(a)(ii) and (xi), 294(B),  
5 296.1(B)(3)(c), 297.8, 298, 6006, 6019, and Chapter 2 of Subtitle VII of Title 47 of  
6 the Louisiana Revised Statutes of 1950, comprised of R.S. 47:6101 through 6109,  
7 relative to state income taxes; to provide for the calculation of individual income tax  
8 liability; to provide for the rates and brackets for individual income tax; to provide  
9 for the amount of the standard deduction for purposes of individual income taxes; to  
10 repeal the individual income tax credit for certain dependents; to repeal the  
11 deduction for excess federal itemized personal deductions; to repeal deductibility of  
12 federal income taxes paid for purposes of calculating individual income taxes; to  
13 terminate the tax credit for inventory taxes paid; to terminate the credit for the  
14 conversion of certain vehicles to alternative fuel; to repeal certain income tax  
15 deductions and credits; to provide for the rates and brackets for estates and trusts; to  
16 provide for applicability; to provide for an effective date; and to provide for related  
17 matters.

18 Be it enacted by the Legislature of Louisiana:

1 Section 1. R.S. 47:32(A), 93(B), 241, 293(3) and (10), 294, 295(B), 300.1, 300.6(A),  
2 and 300.7(A) are hereby amended and reenacted and R.S. 47:55(6), 6006(G), and 6035(I)  
3 are hereby enacted to read as follows:

4 §32. Rates of tax

5 A. On individuals. The tax to be assessed, levied, collected and paid upon  
6 the taxable income of an individual shall be computed at the following rates:

7 (1) Two percent on that portion of the first twelve thousand five hundred  
8 dollars of net income which is in excess of the credits against net income provided  
9 for in R.S. 47:79;

10 (2) ~~Four percent on the next thirty-seven thousand five hundred dollars of~~  
11 ~~net income;~~

12 (3) ~~Six percent on any amount of net income in excess of fifty thousand~~  
13 ~~dollars of net income.~~ Four percent on net income in excess of twelve thousand five  
14 hundred dollars.

15 \* \* \*

16 §55. Deductions from gross income; taxes generally

17 In computing net income, there shall be allowed as deductions all taxes paid  
18 or accrued within the taxable year except:

19 \* \* \*

20 (6) Federal income taxes paid on individual income.

21 \* \* \*

22 §93. Period for which deductions and credits shall be taken

23 \* \* \*

24 B. The proper year in which to claim deductions for federal income and  
25 excess profits taxes allowable under the provisions of R.S. 47:55 shall be determined  
26 as follows, regardless of the method of accounting regularly employed by the  
27 taxpayer:

28 (1) The amount of tax shown to be due upon the federal income tax return of  
29 the corporation or fiduciary taxpayer, as filed, shall be allowed as a deduction ~~in~~ on

1 the state corporation or fiduciary income tax return for the same period as that for  
2 which such federal return is filed.

3 (2) Federal income and excess profits taxes paid after the filing of the federal  
4 return in addition to the amount disclosed to be due by the return as filed shall be  
5 allowed as a deduction ~~in~~ on the state corporation or fiduciary income tax return for  
6 that period if it is not prescribed. If it is prescribed, the deduction for ~~such~~ additional  
7 taxes shall be allowed as a deduction ~~in~~ on the state return for the period in which  
8 ~~such the~~ additional tax is paid. ~~This Subsection shall apply to all such payments after~~  
9 ~~December 31, 1973.~~

10 \* \* \*

11 §241. Net income subject to tax

12 A. The net income of a nonresident individual ~~or a corporation~~ subject to the  
13 tax imposed by this Chapter shall be the sum of the net allocable income earned  
14 within or derived from sources within this state, as defined in R.S. 47:243, and the  
15 net apportionable income derived from sources in this state, as defined in R.S.  
16 47:244, ~~less the amount of federal income taxes attributable to the net allocable~~  
17 ~~income and net apportionable income derived from sources in this state. The amount~~  
18 ~~of federal income taxes to be so deducted shall be that portion of the total federal~~  
19 ~~income tax which is levied with respect to the particular income derived from~~  
20 ~~sources in this state to be computed in accordance with rules and regulations of the~~  
21 ~~collector of revenue. Proper adjustment shall be made for the actual tax rates~~  
22 ~~applying to different classes of income and for all differences in the computation of~~  
23 ~~net income for purposes of federal income taxation as compared to the computation~~  
24 ~~of net income under this Chapter. Where the allocation of the tax is to be based on~~  
25 ~~a ratio of the amount of net income of a particular class, both the numerator and the~~  
26 ~~denominator of the fraction used in determining the ratio shall be computed on the~~  
27 ~~basis that such net income is determined for federal income tax purposes.~~

28 B. The net income of a corporation subject to the tax imposed by this  
29 Chapter shall be the sum of the net allocable income earned within or derived from

1 sources within this state, as defined in R.S. 47:243, and the net apportionable income  
 2 derived from sources in this state, as defined in R.S. 47:244, less the amount of  
 3 federal income taxes attributable to the net allocable income and net apportionable  
 4 income derived from sources in this state. The amount of federal income taxes to be  
 5 so deducted shall be that portion of the total federal income tax which is levied with  
 6 respect to the particular income derived from sources in this state to be computed in  
 7 accordance with rules and regulations of the collector of revenue. Proper adjustment  
 8 shall be made for the actual tax rates applying to different classes of income and for  
 9 all differences in the computation of net income for purposes of federal income  
 10 taxation as compared to the computation of net income under this Chapter. Where  
 11 the allocation of the tax is to be based on a ratio of the amount of net income of a  
 12 particular class, both the numerator and the denominator of the fraction used in  
 13 determining the ratio shall be computed on the basis that such net income is  
 14 determined for federal income tax purposes.

\* \* \*

16 §293. Definitions

17 The following definitions shall apply throughout this Part, unless the context  
18 requires otherwise:

19 \* \* \*

20 (3) "Excess federal itemized personal deductions" for the purposes of this  
21 Part, means the following percentages of the amount by which the federal itemized  
22 personal deductions exceed the amount of federal standard deductions which is  
23 designated for the filing status used for the taxable period on the individual income  
24 tax return required to be filed:

25 (a) For tax years beginning during calendar year 2007, fifty-seven and one  
26 half percent of such excess federal itemized personal deductions.

27 (b) For tax years beginning during calendar year 2008, sixty-five percent of  
28 such excess federal itemized personal deductions.

1 (c) For all tax years beginning on and after January 1, 2009, but before  
2 January 1, 2020, one hundred percent of such excess federal itemized personal  
3 deductions.

4 (d) For all tax years beginning on and after January 1, 2020, no excess  
5 federal itemized personal deductions pursuant to this Paragraph shall be allowed.

6 \* \* \*

7 (10) "Tax table income", for nonresident individuals, means the amount of  
8 Louisiana income, as provided in this Part, allocated and apportioned under the  
9 provisions of R.S. 47:241 through 247, plus the total amount of the personal  
10 exemptions and deductions already included in the tax tables promulgated by the  
11 secretary under authority of R.S. 47:295, ~~less the proportionate amount of the~~  
12 ~~federal income tax liability, excess federal itemized personal deductions,~~ the  
13 temporary teacher deduction, the recreation volunteer and volunteer firefighter  
14 deduction, the construction code retrofitting deduction, any gratuitous grant, loan,  
15 or other benefit directly or indirectly provided to a taxpayer by a hurricane recovery  
16 entity if such benefit was included in federal adjusted gross income, the exclusion  
17 provided for in R.S. 47:297.3 for S Bank shareholders, the deduction for expenses  
18 disallowed by I.R.C. Section 280C, salaries, wages or other compensation received  
19 for disaster or emergency-related work rendered during a declared state disaster or  
20 emergency, the deduction for net capital gains, and personal exemptions and  
21 deductions provided for in R.S. 47:294. The proportionate amount is to be  
22 determined by the ratio of Louisiana income to federal adjusted gross income. When  
23 federal adjusted gross income is less than Louisiana income, the ratio shall be one  
24 hundred percent.

25 \* \* \*

26 §294. Personal exemptions and credit for dependents

27 All personal exemptions and deductions for dependents allowed in  
28 determining federal income tax liability, including the extra exemption for the blind  
29 and aged, will be allowed in determining the tax liability in this Part. Taxpayers are

1 required to use the same filing status and claim the same exemptions on their return  
2 required to be filed under this Part as they used on their federal income tax return.

3 The amounts to be taken into consideration shall be as follows:

4 ~~A.~~ A combined personal exemption and standard deduction in the following  
5 amounts:

6 ~~a.~~(1) Single Individual \$ ~~4500.00~~ 10,260.00

7 ~~b.~~(2) Married-Joint Return and a Qualified Surviving Spouse \$ ~~9000.00~~  
8 20,520.00

9 ~~c.~~(3) Married-Separate \$ ~~4500.00~~ 10,260.00

10 ~~d.~~(4) Head of Household \$ ~~9000.00~~ 20,520.00

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

14 §295. Tax imposed on individuals; administration

15 \* \* \*

16 B. The secretary shall establish tax tables that calculate the tax owed by  
17 taxpayers based upon where their taxable income falls within a range that shall not  
18 exceed two hundred fifty dollars. The secretary shall provide in the tax tables that  
19 the combined personal exemption, standard deduction, and other exemption  
20 deductions in R.S. 47:294 shall be deducted from the ~~two percent bracket~~ brackets  
21 provided for in R.S. 47:32. ~~If such combined exemptions and deductions exceed the~~  
22 ~~two percent bracket, the excess shall be deducted from the four percent bracket. If~~  
23 ~~such combined exemptions and deductions exceed the two and four percent brackets,~~  
24 ~~the excess shall be deducted from the six percent bracket.~~

25 \* \* \*

26 §300.1. Tax imposed

27 There is imposed an income tax for each taxable year upon the Louisiana  
28 taxable income of every estate or trust, whether resident or nonresident. The tax to

1 be assessed, levied, collected, and paid upon the Louisiana taxable income of an  
2 estate or trust shall be computed at the following rates:

3 (1) Two percent on the first ~~ten thousand~~ twelve thousand five hundred  
4 dollars of Louisiana taxable income.

5 (2) Four percent on ~~the next forty thousand dollars~~ of Louisiana taxable  
6 income in excess of twelve thousand five hundred dollars.

7 ~~(3) Six percent on Louisiana taxable income in excess of fifty thousand~~  
8 ~~dollars.~~

9 \* \* \*

10 §300.6. Louisiana taxable income of resident estate or trust

11 A. Definition. "Louisiana taxable income" of a resident estate or trust means  
12 the taxable income of the estate or trust determined in accordance with federal law  
13 for the same taxable year, as specifically modified by the provisions contained in  
14 Subsection B of this Section, ~~less a federal income tax deduction to be computed~~  
15 ~~following the provisions of R.S. 47:287.83 and 287.85.~~ in accordance with the  
16 following provisions:

17 (1) In computing Louisiana taxable income, no federal income tax deduction  
18 shall be allowed on net income upon which no Louisiana income tax has been  
19 incurred, or upon which, for any reason whatsoever, no Louisiana income tax will  
20 be paid. When computing Louisiana taxable income, the secretary may consider  
21 reductions to the federal income tax deduction in accordance with the provisions of  
22 this Paragraph.

23 (2) The alternative minimum tax is a federal income tax deductible to the  
24 extent that it is applicable to regular federal taxable income. Any alternative  
25 minimum tax paid on tax preference items shall not be deductible. In accordance  
26 with the provisions of this Paragraph, the secretary may determine the deductible  
27 portion of the alternative minimum tax.

28 (3) For purposes of this Section, federal income taxes shall include taxes  
29 based on net income, accumulated earnings, war profits, excess profits, personal

1 holding company income, and tax from recomputation of investment credit. For  
 2 purposes of federal income taxation as compared to the computation of net income  
 3 under this Part, proper adjustment shall be made for the actual tax rates as applied  
 4 to different classes of income and for all differences in the computation of net  
 5 income. The amount of the federal income tax deduction shall be that portion of the  
 6 total federal income tax, after application of all credits, which is levied on income  
 7 derived solely from sources in this state as computed under the rules and regulations  
 8 prescribed by the secretary.

9 (4) As used in this Subsection, the term "credits" shall not include  
 10 overpayments of prior year taxes allowed as a credit, estimated tax payments or  
 11 similar prepayments, credit for prior year alternative minimum tax that is allowed as  
 12 a credit against the current regular federal income tax, or federal income tax credits  
 13 determined by the secretary to be presidential disaster area disaster relief credits.

14 \* \* \*

15 §300.7. Louisiana taxable income of nonresident estate or trust

16 A. Definition. "Louisiana taxable income" of a nonresident estate or trust  
 17 means ~~such~~ the portion of the taxable income of the nonresident estate or trust  
 18 determined in accordance with federal law for the same taxable year, as specifically  
 19 modified by the provisions contained in Subsection C of this Section, that was earned  
 20 within or derived from sources within this state, less a federal income tax deduction  
 21 to be computed following the provisions of ~~R.S. 47:287.83 and 287.85~~ R.S. 47:300.6.

22 \* \* \*

23 §6006. Tax credits for local inventory taxes paid

24 \* \* \*

25 G. The tax credit authorized pursuant to the provisions of this Section shall  
 26 be applicable for ad valorem taxes paid to political subdivisions prior to January 1,  
 27 2020. The tax credit authorized pursuant to the provisions of this Section shall  
 28 terminate on January 1, 2020.

29 \* \* \*



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

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 changes present law by increasing the amount of the combined personal exemption as follows:

- (1) From \$4,500 for single, individual filers to \$10,260.
- (2) From \$9,000, for married, joint or qualified surviving spouse filers to \$20,520.
- (3) From \$4,500 for married, separate filers to \$10,260.
- (4) From \$9,000 for head of household filers to \$20,520.

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 repeals present law.

Present law authorizes a personal exemption of \$1,000 for each taxpayer who is blind or deaf, who has an intellectual disability, or who has sustained the loss of one or more limbs. Present law further defines the terms "blind" and "deaf" for purposes of claiming the personal exemption provided for in present law.

Proposed law retains present law.

Present law 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 present law 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.

Proposed law retains present law but deletes references to the specific brackets in favor of the brackets generally.

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 present law that allows taxpayers to deduct excess federal itemized personal deductions on their state individual income tax returns beginning Jan. 1, 2020.

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 present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual income taxes.

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.

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

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 changes income tax rates on estates and trusts as follows:

- (1) From 2% on the first \$10,000 of La. taxable income to 2% on the *first \$12,500* of La. taxable income.
- (2) From 4% on the next \$40,000 of La. taxable income and 6% in excess of \$50,000 to 4% on La. taxable income in *excess of \$12,500*.

Present law provides for an income or corporation franchise tax credit, the amount of which shall be equal to the amount of ad valorem taxes paid by the taxpayer to political subdivisions on inventory held by manufacturers, distributors, and retailers.

Present law provides for a graduated scale of the amount of the tax credit refunded to the taxpayer or carried forward and applied against subsequent tax liability for not longer than five years based on the amount of the ad valorem taxes paid to political subdivisions

Proposed law prohibits tax credits for ad valorem taxes paid to political subdivisions on and after January 1, 2020.

Present law authorizes a nonrefundable income tax credit for qualified clean-burning motor vehicle fuel property purchased and installed in a motor vehicle. The amount of the credit is equal to 30% of the cost of the qualified clean-burning motor vehicle fuel property. Further provides that in cases of the qualified clean-burning motor vehicle fuel property being installed by the vehicle's manufacturer, the taxpayer may claim a credit equal to 10% of the cost of the motor vehicle or \$2,000, whichever is less.

Present law provides that the provisions of present law shall terminate and have no effect beginning Jan. 1, 2022.

Proposed law changes the termination date of the credit from Jan. 1, 2022, to Jan. 1, 2020.

Present law authorizes an individual income tax credit for child care expenses in addition to credits authorized in present law based on the amount of the taxpayers federal adjusted gross income and the quality rating of the child care facility which the child attends.

Proposed law repeals present law.

Present law authorizes a refundable income or corporation franchise tax credit for a child care provider. The amount of the credit is based on the average monthly number of children who either participate in the Child Care Assistance Program or who are foster children in the custody of the Dept. of Children and Family Services (DCFS), and who are attending a child care facility operated by the child care provider, multiplied by an amount based on the quality rating of each child care facility operated by the child care provider.

Proposed law repeals present law.

Present law authorizes a refundable individual income tax credit for eligible child care directors and eligible child care staff. The amount of the credit is based on specific qualifications for eligible child care directors and eligible child care staff provided for in present law and administrative rules promulgated by DCFS. Proposed law requires the amount of the credit to be adjusted annually each calendar year by the percentage increase in the Consumer Price Index United States city average for all urban consumers (CPI-U), as prepared by the U.S. Dept. of Labor, Bureau of Labor Statistics.

Proposed law repeals present law.

Present law authorizes a refundable income or corporation franchise tax credit for eligible business child care expenses supported by a business. The amount of the credit shall be based on percentages of the eligible business child care expenses and the quality rating of the child care facility to which the expenses are related or the quality rating of the child care facility the child attends. Further provides for an additional refundable income or corporation franchise tax credit for the payment by a business of fees and grants to child care resource and referral agencies not to exceed \$5,000 per tax year.

Proposed law repeals present law.

Present law authorizes a refundable individual income tax credit equal to 3.5% of the federal earned income tax credit for which the individual is eligible for the taxable year under present federal law. Further provides that from Jan. 1, 2019, through Dec. 31, 2025, the amount of the credit shall be increased from 3.5 % of the amount authorized in present federal law to 5% of the amount authorized in present federal law.

Proposed law repeals present law.

Present law authorizes an income and corporation franchise tax credit for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development or a cultural district. The amount of the credit shall equal 25% of the eligible costs and expenses of the rehabilitation incurred prior to Jan. 1, 2018, regardless of the year in which the property is placed in service and 20% of the eligible costs and expenses of the rehabilitation incurred on or after Jan. 1, 2018, and before Jan. 1, 2022, regardless of the year in which the property is placed in service. Present law prohibits a credit for expenses incurred on or after Jan. 1, 2022.

Proposed law repeals present law.

Effective if and when the proposed amendment of Article 4 of the Constitution of La. contained in the Act which originated as House Bill No. 329 and Article 21 of the Constitution of La. contained in the Act which originated as House Bill No. 330 of this 2019 R.S. of the Legislature is adopted at a statewide election and become effective and if House Bill No. \_\_ of this 2019 R.S. is enacted and becomes effective.

(Amends R.S. 47:32(A), 93(B), 241, 293(3) and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:55(6), 6006(G), and 6035(I); Repeals R.S. 47:55(5), 79(B), (C), and (D), 293(4) and (9)(a)(ii) and (xi), 294(B), 296.1(B)(3)(c), 297.8, 298, 6006, 6019, and 6101 through 6109)

