

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 191** HLS 19RS 161  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 30, 2019 3:47 PM	<b>Author:</b> ZERINGUE
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Individual Income Tax	

TAX/INCOME TAX EG +\$21,000,000 GF RV See Note Page 1 of 1  
 Changes the rates and brackets for purposes of calculating individual income tax liability and eliminates certain deductions and credits

Proposed law modifies the individual income tax to provide a 4% flat tax rate on net income above \$12,500 single / \$25,000 joint (from the 2%, 4%, 6% current rates), to eliminate the deductions for federal income taxes paid, excess federal itemized deductions, and the personal exemption / standard deduction.

Effective for tax periods beginning on and after January 1, 2020.

Contingent upon adoption of a constitutional amendment contained in House Bill \_\_\_\_ of this session.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$87,000	\$0	\$0	\$0	\$0	<b>\$87,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$87,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,000</b>

  

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$19,000,000	\$21,000,000	\$21,000,000	\$21,000,000	<b>\$82,000,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$19,000,000</b>	<b>\$21,000,000</b>	<b>\$21,000,000</b>	<b>\$21,000,000</b>	<b>\$82,000,000</b>

**EXPENDITURE EXPLANATION**

Implementation of this proposal will result in approximately \$51,000 of programming, testing and system development costs related to the revision of the affected tax returns. The cost also includes estimated expenses of \$36,000 from LDR's Revenue Processing Center (RPC) to update equipment and software to process the revised return in FY 2019-2020. LDR will also be required to promulgate new rules to issue revised withholding tables and tax tables as required by R.S. 47:295.

**REVENUE EXPLANATION**

The bill is estimated to result in an aggregate annual liability increase of \$21 million. This estimate is generated by a micro-simulation model processing 2017 resident individual income tax data. The model incorporates the significant federal income tax changes effective for the 2018 tax year. The Dept. of Rev indicates that return filing patterns for the individual income tax result in approximately 90% of returns received in a fiscal year's filing season are from the immediately preceding tax year, with the remaining 10% following in the next fiscal year's filing season. Thus, the FY21 liability effect is estimated as a \$19 million gain, with the full liability gain occurring in FY22 and each year thereafter.

Nonresident returns as well as estates/trusts returns are not modeled (which might enhance the liability gain somewhat). Also, there has been no accounting for changes in withholding requirements, which are likely to be made given the broad applicability of these changes across taxpayers. Withholding changes would likely have a material effect on the actual fiscal year receipts associated with the tax year liability changes. Consequently, especially with regard to the effects of the federal tax law changes and the effects of withholding changes, the specific estimated effects of the bill by fiscal year can not be considered reliable.

Senate      Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**John D. Carpenter**  
**Legislative Fiscal Officer**