

2021 Regular Session

HOUSE BILL NO. 233

BY REPRESENTATIVE WRIGHT

TAX/INCOME TAX: Provides for a flat rate for purposes of calculating individual income tax and modifies income tax credits, deductions, and exemptions

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 241, 287.69, 293(3) and (10), 294, 295(B), 297.8(A),

3 300.1, 300.6, and 300.7 and to repeal R.S. 47:79, 287.79, 287.83, 287.85,

4 287.442(B)(1), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A), and 298, relative to

5 income tax; to provide for the calculation of individual income tax liability; to

6 provide for a flat individual income tax rate; to provide for certain deductions and

7 credits; to provide with respect to the deduction for excess federal itemized personal

8 deductions; to eliminate the deduction allowed for excess federal itemized personal

9 deductions; to provide for personal exemptions and credits for dependents; to repeal

10 the deductibility of federal income taxes paid for purposes of calculating income tax;

11 to provide for the amount of the earned income tax credit; to provide for the rates and

12 brackets for estates and trusts; to provide for limitations and restrictions; to provide

13 for applicability; to provide for an effective date; and to provide for related matters.

14 Be it enacted by the Legislature of Louisiana:

15 Section 1. R.S. 47:32(A), 241, 287.69, 293(3) and (10), 294, 295(B), 297.8(A),
16 300.1, 300.6, and 300.7 are hereby amended and reenacted to read as follows:

17 §32. Rates of tax

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

1 adjustments" means after the application of the net operating loss adjustment allowed
2 by R.S. 47:287.86.

3 * * *

4 §293. Definitions

5 The following definitions shall apply throughout this Part, unless the context
6 requires otherwise:

7 * * *

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

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

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

17 (c) For ~~all~~ tax years beginning on ~~and~~ or after January 1, 2009, but before
18 January 1, 2023, one hundred percent of such excess federal itemized personal
19 deductions.

20 (d) For tax years beginning on or after January 1, 2023, no excess federal
21 itemized personal deductions shall be allowed pursuant to this Paragraph.

22 * * *

23 (10) "Tax table income", for nonresident individuals, means the amount of
24 Louisiana income, as provided in this Part, allocated and apportioned under the
25 provisions of R.S. 47:241 through 247, plus the total amount of the personal
26 exemptions and deductions already included in the tax tables promulgated by the
27 secretary under authority of R.S. 47:295, less the proportionate amount of ~~the federal~~
28 ~~income tax liability, excess federal itemized personal deductions,~~ the temporary
29 teacher deduction, the recreation volunteer and volunteer firefighter deduction, the

1 construction code retrofitting deduction, any gratuitous grant, loan, or other benefit
 2 directly or indirectly provided to a taxpayer by a hurricane recovery entity if such
 3 benefit was included in federal adjusted gross income, the exclusion provided for in
 4 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by 26
 5 U.S.C. 280C, salaries, wages or other compensation received for disaster or
 6 emergency-related work rendered during a declared state disaster or emergency, the
 7 deduction for net capital gains, the pass-through entity exclusion provided in R.S.
 8 47:297.14, and personal exemptions and deductions provided for in R.S. 47:294. The
 9 proportionate amount is to be determined by the ratio of Louisiana income to federal
 10 adjusted gross income. When federal adjusted gross income is less than Louisiana
 11 income, the ratio shall be one hundred percent.

12 * * *

13 §294. Personal exemptions and ~~credit for~~ deductions for dependents

14 ~~All personal exemptions and deductions for dependents allowed in~~
 15 ~~determining federal income tax liability, including the extra exemption for the blind~~
 16 ~~and aged, will be allowed in determining the tax liability in this Part.~~ Taxpayers are
 17 required to use the same filing status and claim the same exemptions on their return
 18 required to be filed under this Part as they used on their federal income tax return.
 19 The amounts to be taken into consideration shall be as follows:

20 A. ~~A combined personal exemption and~~ standard deduction in the following
21 amounts:

- 22 a. Single Individual ~~\$ 4500.00~~ \$ 10,000
- 23 b. Married-Joint Return and a Qualified Surviving Spouse ~~\$ 9000.00~~ \$ 20,000
- 24 c. Married-Separate ~~\$ 4500.00~~ \$ 10,000
- 25 d. Head of Household ~~\$ 9000.00~~ \$ 20,000

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

1 §295. Tax imposed on individuals; administration

2 * * *

3 B. The secretary shall establish tax tables that calculate the tax owed by
4 taxpayers based upon where their taxable income falls within a range that shall not
5 exceed two hundred fifty dollars. ~~The secretary shall provide in the tax tables that~~
6 ~~the combined personal exemption, standard deduction, and other exemption~~
7 ~~deductions in R.S. 47:294 shall be deducted from the two percent bracket. If such~~
8 ~~combined exemptions and deductions exceed the two percent bracket, the excess~~
9 ~~shall be deducted from the four percent bracket. If such combined exemptions and~~
10 ~~deductions exceed the two and four percent brackets, the excess shall be deducted~~
11 ~~from the six percent bracket.~~

12 * * *

13 §297.8. Earned income tax credit

14 A. ~~(1) Except as provided in Paragraph (2) of this Subsection, there~~ There
15 shall be a credit against the tax imposed by this Chapter for individuals in an amount
16 equal to ~~three and one-half~~ ten percent of the federal earned income tax credit for
17 which the individual is eligible for the taxable year under Section 32 of the Internal
18 Revenue Code.

19 ~~(2) For tax years beginning on and after January 1, 2019, through December~~
20 ~~31, 2025, there shall be a credit against the tax imposed by this Chapter for~~
21 ~~individuals in an amount equal to five percent of the federal earned income tax credit~~
22 ~~for which the individual is eligible for the taxable year under Section 32 of the~~
23 ~~Internal Revenue Code.~~

24 * * *

25 §300.1. Tax imposed

26 There is imposed an income tax for each taxable year upon the Louisiana
27 taxable income of every estate or trust, whether resident or nonresident. The tax to
28 be assessed, levied, collected, and paid upon the Louisiana taxable income of an
29 estate or trust shall be computed at the ~~following rates:~~

1 which originated as House Bill No. ____ of this 2021 Regular Session of the Legislature is
2 adopted 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 233 Original

2021 Regular Session

Wright

Abstract: Changes the rates and brackets for purposes of calculating individual income tax liability from a graduated rate system to a single flat rate of 3%, eliminates the deduction for excess federal itemized personal deductions and the deduction for federal income taxes paid, and increases the amount of the earned income tax credit.

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 3% 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 \$10,000 for single, individual filers and married, separate filers. Also increases the exemption to \$20,000 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 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 retains present law. Present law 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 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 deduction for excess federal itemized personal deductions beginning Jan. 1, 2023.

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 and corporate income taxes and income taxes for estates and trusts.

Present law provides for an individual income tax credit based on the taxpayer's federal earned income tax credit authorized under Section 32 of the Internal Revenue Code. The amount of the credit shall equal 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 shall equal 3.5% of the amount of the taxpayer's federal earned income tax credit.

Proposed law increases the amount of the state credit from 5% to 10% of the amount of the taxpayers federal tax credit and makes the amount of the credit permanent.

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 3% rate on taxable income of an estate or trust.

Applicable to taxable periods beginning on or after Jan. 1, 2023.

Effective Jan. 1, 2023, if the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ____ of this 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 287.69, 293(3) and (10), 294, 295(B), 297.8(A), 300.1, 300.6, and 300.7; Repeals R.S. 47:79, 287.79, 287.83, 287.85, 287.442(B)(1), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A), and 298)