

2021 Regular Session

HOUSE BILL NO. 376

BY REPRESENTATIVE IVEY

TAX/INCOME TAX: Provides for a flat tax rate for purposes of calculating income tax for individuals, estates, and trusts and modifies income tax credits and deductions

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 287.69, 293(3), (9)(a)(iv), and (10), 294, 295(B),

3 300.1, 300.6(A), and 300.7(A), to enact R.S. 47:293(9)(a)(xx), and to repeal R.S.

4 47:79(B), 287.79, 287.83, 287.85, 287.442(B)(1), 293(4) and (9)(a)(ii),

5 296.1(B)(3)(c), 297(A), and 298, relative to income tax; to provide for a flat income

6 tax rate for individuals, estates, and trusts; to provide for the calculation of individual

7 income tax liability; to provide for certain deductions and credits; to reduce certain

8 deductions and credits; to provide with respect to the deduction for excess federal

9 itemized personal deductions; to provide for limitations and restrictions; to reduce

10 the amount of the deduction allowed for excess federal itemized personal deductions;

11 to provide for personal exemptions and credits for dependents; to repeal the

12 deductibility of federal income taxes paid for purposes of calculating income tax; to

13 repeal the deductibility of federal income taxes paid for purposes of calculating

14 income tax on estates and trusts; to provide for the rates and brackets for estates and

15 trusts; to provide for applicability; to provide for an effective date; and to provide for

16 related matters.

17 Be it enacted by the Legislature of Louisiana:

18 Section 1. R.S. 47:32(A), 287.69, 293(3), (9)(a)(iv), and (10), 294, 295(B), 300.1,

19 300.6(A), and 300.7(A) are hereby amended and reenacted and R.S. 47:293(9)(a)(xx) is

20 hereby enacted to read as follows:

1 §32. Rates of tax

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

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

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

9 ~~(3) Six percent on any amount of net income in excess of fifty thousand~~
10 ~~dollars of net income~~ rate of four percent on net income.

11 * * *

12 §287.69. Louisiana taxable income defined

13 "Louisiana taxable income" means Louisiana net income, after adjustments;
14 ~~less the federal income tax deduction allowed by R.S. 47:287.85.~~ "After adjustments"
15 means after the application of the net operating loss adjustment allowed by R.S.
16 47:287.86.

17 * * *

18 §293. Definitions

19 The following definitions shall apply throughout this Part, unless the context
20 requires otherwise:

21 * * *

22 (3) "Excess federal itemized personal deductions" for the purposes of this
23 Part, means ~~the following percentages of the amount by which the federal itemized~~
24 ~~personal deductions, excluding Louisiana state income taxes paid, exceed the amount~~
25 ~~of the greater of federal standard deductions or state standard deductions provided~~
26 in R.S. 47:294, which is designated for the filing status used for the taxable period
27 on the individual income tax return required to be filed;

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

1 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by 26
 2 U.S.C. 280C, salaries, wages or other compensation received for disaster or
 3 emergency-related work rendered during a declared state disaster or emergency, the
 4 deduction for net capital gains, the pass-through entity exclusion provided in R.S.
 5 47:297.14, Louisiana state income tax refunds which are included in federal adjusted
 6 gross income, and standard, personal, and dependent ~~exemptions~~ and deductions
 7 provided for in R.S. 47:294. The proportionate amount is to be determined by the
 8 ratio of Louisiana income to federal adjusted gross income. When federal adjusted
 9 gross income is less than Louisiana income, the ratio shall be one hundred percent.

10 * * *

11 §294. ~~Personal exemptions and credit for dependents~~ Standard, personal, and
 12 dependent deductions

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

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

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

21 a. Single Individual	\$ 4500.00	<u>\$12,500</u>
22 b. Married-Joint Return and a Qualified Surviving Spouse	\$ 9000.00	<u>\$25,000</u>
23 c. Married-Separate	\$ 4500.00	<u>\$12,500</u>
24 d. Head of Household	\$ 9000.00	<u>\$25,000</u>

25 ~~B. An additional deduction of one thousand dollars shall be allowed for each~~
 26 ~~allowable exemption in excess of those required to qualify for the exemption~~
 27 ~~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 §300.1. Tax imposed

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

18 (1) ~~Two percent on the first ten thousand dollars of Louisiana taxable~~
19 ~~income.~~

20 (2) ~~Four percent on the next forty thousand dollars of Louisiana taxable~~
21 ~~income.~~

22 (3) ~~Six percent on Louisiana taxable income in excess of fifty thousand~~
23 ~~dollars rate of four percent on Louisiana taxable income.~~

24 * * *

25 §300.6. Louisiana taxable income of resident estate or trust

26 A. Definition. "Louisiana taxable income" of a resident estate or trust means
27 the taxable income of the estate or trust determined in accordance with federal law
28 for the same taxable year, as specifically modified by the provisions contained in

(3) 6% on net income in excess of \$50,000.

Proposed law removes the graduated schedule of rates in favor of a flat 4% 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 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 changes the present law definition of "excess federal itemized personal deductions" to mean the amount by which the federal itemized personal deductions, excluding La. state income taxes paid, exceed the amount of the federal standard deduction

or the state standard deduction, whichever is greater, designated for the filing status used for the taxable period on the individual income tax return.

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 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 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% 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. ___ of this 2021 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 287.69, 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), 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)