DIGEST

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HB 546 Original | 2021 Regular Session | Pressly

Abstract: Changes the rates and brackets for purposes of calculating income tax liability for individuals, estates, and trusts; increases the personal exemption and standard deduction; and eliminates the deduction for excess federal itemized personal deductions and the deduction for federal income taxes paid for individuals, estates, and trusts.

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 reduces individual income tax rates as follows:

(1) From 2% on the first $12,500 of net income to 0% 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.

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 effective 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 present law provisions that authorize a state deduction for federal income taxes paid for purposes of calculating individual income taxes and the tax liability 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.

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 0% 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 retains present law but terminates issuance of tax credits for ad valorem taxes paid to political subdivisions on Jan. 1, 2023.

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. 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, 2026, 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, 2026.

Proposed law repeals present law.

Proposed law applies to tax years beginning on or after January 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, 293(3) and (10), 294, 295(B), 300.1, 300.6(A), and 300.7(A); Adds R.S. 47:55(6), and 6006(I); Repeals R.S. 47:79(B), (C), and (D), 293(4) and (9)(a)(ii) and (xi), 296.1(B)(3)(c), 297.8, 298, 6019, and 6101-6109)