DIGEST

HB 171 Engrossed | 2021 Regular Session | Zeringue

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

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 changes 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 repeals present law.

Present law authorizes a credit of $400 for each dependent who meets certain criteria.

Proposed law repeals present law and instead provides a $1,000 deduction for each dependent as defined in present law.

Present law provides that all personal exemptions and deductions for dependents allowed in determining federal income tax liability, including the extra exemption for the blind and aged, will be allowed in determining the tax liability in present law.

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. 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 changes present law by authorizing the combined personal exemption, standard deduction, and other exemption deductions to be deducted from the lowest income tax bracket.

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, 2022.

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 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. Provides that no federal income tax deduction is allowed on net income upon which no La. income tax was incurred or upon which no income tax will be paid.

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 a cap of $150M in any fiscal year on tax credits that may be granted in a final certification letter by the Dept. of Economic Development (DED) for state-certified productions and qualified entertainment companies submitted on or after July 1, 2017. If the total amount of credits applied for in a year exceeds the aggregate amount of tax credits allowed for that year, the excess shall be treated as having been applied for on the first day of the subsequent year.

Proposed law changes present law by reducing the annual cap on tax credits granted by DED in final certification letters for state-certified productions and qualified entertainment companies submitted on or after July 1, 2023, from $150M each fiscal year to $75M for each fiscal year.

Present law provides for a cap of $180M on the aggregate total amount of tax credit claims that the Dept. of Revenue (DOR) may allow on tax returns in any fiscal year. If less than $180M of tax credits and transfers are allowed in a fiscal year, the remaining amount, plus any amounts remaining from previous fiscal years, shall be added to the $180M cap of subsequent fiscal years until that amount of tax credits or tax credit transfers to the DOR are claimed and allowed.

Proposed law changes present law by reducing the annual cap on tax credit claims allowed by DOR beginning July 1, 2023, from $180M per fiscal year to $90M per fiscal year. Further changes present law to reduce the amount of tax credit claims that may be allowed in subsequent years if the total annual cap is not claimed to match the reduction in the annual cap contained in proposed law.

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

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. 207 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), (9)(a)(iv), and (10), 294, 295(B), 300.1, 300.6(A), 300.7(A), and 6007(J)(1)(b) and (2)(a); Repeals R.S. 47:287.79, 287.83, 287.85, 287.442(B)(1), 293(4) and (9)(a)(ii), 296.1(B)(3)(c), 297(A), and 298)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Add repeal of the deduction for federal income taxes paid for purposes of calculating corporate income taxes to the repeal in proposed law of the deduction for purposes of calculating individual income tax and income tax on estates and trusts.

2. Reduce the annual cap on motion picture production tax credits awarded in final certification letters by DED from $150M to $75M per fiscal year and reduce the annual cap on the amount of tax credits that may be claimed on tax returns from $180M to $90M each fiscal year.

3. Specify the House Bill No. of the proposed constitutional amendment to which the effectiveness of proposed law is tied.