



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 376** HLS 21RS 138  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 22, 2021	10:32 AM	<b>Author:</b> IVEY
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Individual Income Tax		

TAX/INCOME TAX EG +\$6,900,000 GF RV See Note Page 1 of 1  
 Provides for a flat tax rate for purposes of calculating income tax for individuals, estates, and trusts and modifies income tax credits and deductions

Proposed law modifies the individual income tax to impose a single rate of 4.25% (from the current rates of 2%, 4%, and 6%). The existing income brackets are replaced with higher standard deductions of \$12,500 single and \$25,000 joint, before the new single rate is applied. The bill eliminates the deduction for federal income taxes paid for individuals and the deduction for federal excess itemized deductions. The bill also provides a new adjustment to income by excluding Louisiana state income tax refunds from federal adjusted gross income. Effective for tax periods beginning on and after January 1, 2022. Contingent upon adoption of a constitutional amendment contained in House Bill 369 of this session.

<b>EXPENDITURES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</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>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$7,400,000)	(\$1,200,000)	\$6,900,000	\$6,900,000	\$6,900,000	<b>\$12,100,000</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>(\$7,400,000)</b>	<b>(\$1,200,000)</b>	<b>\$6,900,000</b>	<b>\$6,900,000</b>	<b>\$6,900,000</b>	<b>\$12,100,000</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 administration system. Additional estimated expenses of \$36,000 are associated with LDR's Revenue Processing Center (RPC) updating equipment and software to process the revised returns in FY 2022 -2023. LDR will also promulgate new rules to issue revised withholding tables and tax tables as required by R.S. 47:295.

**REVENUE EXPLANATION**

From the tax table income tax changes, the bill is estimated to result in an aggregate annual individual income taxpayer liability decrease of \$34.2 million. This estimate is generated by the Legislative Fiscal Office micro-simulation model processing 2019 resident and nonresident individual income tax data, with fiduciary receipts added as their share of FY20 total individual income tax receipts (0.498%). The return data reflect the significant federal income tax changes that first affected state taxes in tax year 2018. The exclusion of state income tax refunds from federal adjusted gross income are incorporated from 2018 IRS data for Louisiana resident federal filings. Nonresident calculations do not incorporate the Louisiana tax refund adjustment to income (a base contraction). Repeal of the earned income tax credit is an additional net revenue gain (+\$41M per year) offsetting the aggregate liability decline.

The tax year liability change estimate is translated to fiscal year receipt estimates in the revenue table above in consultation with the Dept. of Revenue regarding the share of liability change typically collected through withholdings (79%), declarations (8%), and return filings (13%). The first fiscal year of effect will be FY22 (-\$7.4M) with tax receipts affected through withholdings changes; with this estimate assuming a one-quarter lag for discernible impact. No lag is assumed for declarations since they are first due in April of the year. The effect for the second fiscal year, FY23 (-\$1.2), steps up the aggregate liability loss due to four quarters of withholdings and declarations, plus the catch-up of the first tax year's first quarter liability change when returns are filed, plus the amount of liability change typically realized on returns rather than through withholdings or declarations. Repeal of the earned income tax credit then offsets the liability decline for small net loss in FY23. The bill's tax year changes fully transition to fiscal year realizations by the third fiscal year, FY24 (+\$6.9M).

Senate  
 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}

**Christopher A. Keaton**  
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