

2023 Regular Session

HOUSE BILL NO. 173

BY REPRESENTATIVE DEVILLIER

TAX/INCOME TAX: Phases-out the taxes levied on the income of individuals and estates and trusts over five years

1 AN ACT

2 To amend and reenact R.S. 47:31, 32(A), and 300.1, and to repeal R.S. 47:32.1, relative to
3 income taxes; to provide for the rate of the individual income tax; to provide for a
4 reduction and eventual elimination of the individual income tax; to provide for the
5 rate of the income tax levied on estates and trusts; to provide for a reduction and
6 eventual elimination of the income taxes levied on estates and trusts; to repeal the
7 automatic reduction in each individual income tax rate under certain circumstances;
8 to provide for applicability; to provide for an effective date; and to provide for
9 related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 47:31, 32(A), and 300.1 are hereby amended and reenacted to read
12 as follows:

13 §31. Individuals, corporations and trusts subject to tax

14 A.(1) There shall be levied, collected, and paid for each taxable year a tax
15 upon the net income of residents and nonresidents, estates, trusts and corporations,
16 as hereinafter provided.

17 (2) Notwithstanding the provisions of Paragraph (1) of this Subsection, for
18 taxable years beginning on or after January 1, 2028, no tax shall be levied, collected,
19 or paid upon the taxable income of residents and nonresidents, estates, or trusts.

1 ~~(1)~~B.(1) Resident individuals. (a) Every person residing within the state, or
2 the personal representative in the event of death, shall pay a tax on net income from
3 whatever source derived, except as hereinafter exempted.

4 (b) Every natural person domiciled in the state, and every other natural
5 person who maintains a permanent place of abode within the state or who spends in
6 the aggregate more than six months of the taxable year within the state, shall be
7 deemed to be a resident of this state for the purpose of determining liability for
8 income taxes under this Chapter.

9 (2) Nonresident individuals. Every nonresident shall pay a tax upon such net
10 income as is derived from property located, or from services rendered, or from
11 business transacted within the state, or from sources within the state, except as
12 hereinafter exempted.

13 ~~(3)~~C. Corporations. Corporations shall be taxed on net income from sources
14 within the state, as hereinafter set out.

15 ~~(4)~~D.(1) Domestic real estate investment trusts. Trusts shall be taxed on net
16 income from whatever source derived, except as otherwise exempted.

17 ~~(5)~~(2) Foreign real estate investment trusts. Foreign real estate investment
18 trusts shall be taxed on net income from sources within the state, as hereinafter set
19 out.

20 §32. Rates of tax

21 A. On individuals. (1) For taxable years beginning before January 1, 2024,
22 ~~the~~ The tax to be assessed, levied, collected, and paid upon the taxable income of an
23 individual shall be computed at the following rates:

24 ~~(1)~~(a) One and eighty-five one hundredths percent on that portion of the first
25 twelve thousand five hundred dollars of net income which is in excess of the credits
26 against net income provided for in R.S. 47:79.

27 ~~(2)~~(b) Three and one-half percent on the next thirty-seven thousand five
28 hundred dollars of net income.

1 ~~(3)~~(c) Four and twenty-five one hundredths percent on any amount of net
2 income in excess of fifty thousand dollars of net income.

3 (2) For taxable years beginning on or after January 1, 2024, but before
4 January 1, 2025, the tax to be assessed, levied, collected, and paid upon the taxable
5 income of an individual shall be computed at the following rates:

6 (a) One and forty-eight one hundredths percent on that portion of the first
7 twelve thousand five hundred dollars of net income which is in excess of the credits
8 against net income provided for in R.S. 47:79.

9 (b) Two and eight tenths percent on the next thirty-seven thousand five
10 hundred dollars of net income.

11 (c) Three and four tenths percent on any amount of net income in excess of
12 fifty thousand dollars of net income.

13 (3) For taxable years beginning on or after January 1, 2025, but before
14 January 1, 2026, the tax to be assessed, levied, collected, and paid upon the taxable
15 income of an individual shall be computed at the following rates:

16 (a) One and eleven one hundredths percent on that portion of the first twelve
17 thousand five hundred dollars of net income which is in excess of the credits against
18 net income provided for in R.S. 47:79.

19 (b) Two and one tenth percent on the next thirty-seven thousand five
20 hundred dollars of net income.

21 (c) Two and fifty-five one hundredths percent on any amount of net income
22 in excess of fifty thousand dollars of net income.

23 (4) For taxable years beginning on or after January 1, 2026, but before
24 January 1, 2027, the tax to be assessed, levied, collected, and paid upon the taxable
25 income of an individual shall be computed at the following rates:

26 (a) Seventy-four one hundredths percent on that portion of the first twelve
27 thousand five hundred dollars of net income which is in excess of the credits against
28 net income provided for in R.S. 47:79.

1 B. For taxable years beginning on or after January 1, 2024, but before
2 January 1, 2025, the tax to be assessed, levied, collected, and paid upon the
3 Louisiana taxable income of an estate or trust shall be computed at the following
4 rates:

5 (1) One and forty-eight hundredths percent on the first ten thousand dollars
6 of Louisiana taxable income.

7 (2) Two and eight tenths percent on the next forty thousand dollars of
8 Louisiana taxable income.

9 (3) Three and four tenths percent on Louisiana taxable income in excess of
10 fifty thousand dollars.

11 C. For taxable years beginning on or after January 1, 2025, but before
12 January 1, 2026, the tax to be assessed, levied, collected, and paid upon the
13 Louisiana taxable income of an estate or trust shall be computed at the following
14 rates:

15 (1) One and eleven hundredths percent on the first ten thousand dollars of
16 Louisiana taxable income.

17 (2) Two and one tenth percent on the next forty thousand dollars of
18 Louisiana taxable income.

19 (3) Two and fifty-five hundredths percent on Louisiana taxable income in
20 excess of fifty thousand dollars.

21 D. For taxable years beginning on or after January 1, 2026, but before
22 January 1, 2027, the tax to be assessed, levied, collected, and paid upon the
23 Louisiana taxable income of an estate or trust shall be computed at the following
24 rates:

25 (1) Seventy-four hundredths percent on the first ten thousand dollars of
26 Louisiana taxable income.

27 (2) One and four tenths percent on the next forty thousand dollars of
28 Louisiana taxable income.

1 (3) One and seven tenths percent on Louisiana taxable income in excess of
2 fifty thousand dollars.

3 E. For taxable years beginning on or after January 1, 2027, but before
4 January 1, 2028, the tax to be assessed, levied, collected, and paid upon the
5 Louisiana taxable income of an estate or trust shall be computed at the following
6 rates:

7 (1) Thirty-seven hundredths percent on the first ten thousand dollars of
8 Louisiana taxable income.

9 (2) Seven tenths percent on the next forty thousand dollars of Louisiana
10 taxable income.

11 (3) Eighty-five hundredths percent on Louisiana taxable income in excess
12 of fifty thousand dollars.

13 F. For taxable years beginning on or after January 1, 2028, no tax shall be
14 assessed, levied, collected, or paid upon the Louisiana taxable income of an estate
15 or trust.

16 Section 2. R.S. 47:32.1 is hereby repealed in its entirety.

17 Section 3. The provisions of this Act shall apply to taxable years beginning on or
18 after January 1, 2024.

19 Section 4. This Act shall become effective on January 1, 2024.

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 173 Original

2023 Regular Session

DeVillier

Abstract: Phases-out individual income taxes and taxes levied on the income of estates and trusts over five years and repeals the automatic reduction in each individual income tax rate if certain revenue thresholds are met.

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) 1.85% on the first \$12,500 of net income.
- (2) 3.5% on the next \$37,500 of net income.

- (3) 4.25% on net income in excess of \$50,000.

Proposed law changes present law for taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by reducing the tax rates for individual income tax as follows:

- (1) From 1.85% to 1.48% on the first \$12,500 of net income.
- (2) From 3.5% to 2.8% on the next \$37,500 of net income.
- (3) From 4.25 to 3.4% on net income in excess of \$50,000.

Proposed law provides for the further reduction of individual income tax rates for taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1.48% to 1.11% on the first \$12,500 of net income.
- (2) From 2.8% to 2.1% on the next \$37,500 of net income.
- (3) From 3.4% to 2.55% on net income in excess of \$50,000.

Proposed law provides for the further reduction of individual income tax rates for taxable years beginning on or after Jan. 1, 2026, but before Jan. 1, 2027, as follows:

- (1) From 1.11% to .74% on the first \$12,500 of net income.
- (2) From 2.1% to 1.4% on the next \$37,500 of net income.
- (3) From 2.55% to 1.7% on net income in excess of \$50,000.

Proposed law provides for the further reduction of individual income tax rates for taxable years beginning on or after Jan. 1, 2027, but before Jan. 1, 2028, as follows:

- (1) From .74% to .37% on the first \$12,500 of net income.
- (2) From 1.4% to .7% on the next \$37,500 of net income.
- (3) From 1.7% to .85% on net income in excess of \$50,000.

Proposed law prohibits tax from being assessed, levied, collected, or paid upon the taxable income of an individual for taxable years beginning on or after Jan. 1, 2028.

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) 1.85% on the first \$10,000 of La. taxable income.
- (2) 3.5% on the next \$40,000 of La. taxable income.
- (3) 4.25% on La. taxable income in excess of \$50,000.

Proposed law changes present law for taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by reducing the tax rates for taxes levied on estates and trusts as follows:

- (1) From 1.85% to 1.48% on the first \$10,000 of La. taxable income.
- (2) From 3.5% to 2.8% on the next \$40,000 of La. taxable income.
- (3) From 4.25% to 3.4% on La. taxable income in excess of \$50,000.

Proposed law provides for the further reduction of the tax levied on the taxable income of estates and trusts for taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, as follows:

- (1) From 1.48% to 1.11% on the first \$10,000 of La. taxable income.
- (2) From 2.8% to 2.1% on the next \$40,000 of La. taxable income.
- (3) From 3.4% to 2.55% on La. taxable income in excess of \$50,000.

Proposed law provides for the further reduction of the tax levied on the taxable income of estates and trusts for taxable years beginning on or after Jan. 1, 2026, but before Jan. 1, 2027, as follows:

- (1) From 1.11% to .74% on the first \$10,000 of La. taxable income.
- (2) From 2.1% to 1.4% on the next \$40,000 of La. taxable income.
- (3) From 2.55% to 1.7% on La. taxable income in excess of \$50,000.

Proposed law provides for the further reduction of the tax levied on the taxable income of estates and trusts for taxable years beginning on or after Jan. 1, 2027, but before Jan. 1, 2028, as follows:

- (1) From .74% to .37% on the first \$10,000 of La. taxable income.
- (2) From 1.4% to .7% on the next \$40,000 of La. taxable income.
- (3) From 1.7% to .85% on La. taxable income in excess of \$50,000.

Proposed law prohibits tax from being assessed, levied, collected, or paid on the taxable income of an estate or trust beginning on or after Jan. 1, 2028.

Present law requires the reduction of each individual income tax rate if, beginning April 1, 2024, and each April first thereafter through 2034, the prior fiscal year's actual individual income tax collections as reported in the state's accounting system exceed the actual individual income tax collections for the fiscal year ending June 30, 2019, adjusted annually by the growth factor provided for in existing constitution. If the conditions in present law are met, individual income tax rates are reduced beginning the following January first.

Present law requires the reduced rate to be calculated by multiplying each current rate by the difference between one and the percentage change in individual income tax collections in excess of the individual income tax collections for Fiscal Year 2018-2019 adjusted annually by the growth factor as provided for in present constitution. Further prohibits this reduction unless both of the following conditions are met:

- (1) The prior fiscal year's actual total tax, licenses, and fees exceed the actual total tax, licenses, and fees for Fiscal Year 2018-2019, adjusted annually by the growth factor provided for in existing constitution.
- (2) The Budget Stabilization Fund balance as determined by the treasurer is at least 2.5% of the total state revenue receipts from the prior fiscal year.

Proposed law repeals present law.

Proposed law applies to taxable years beginning on or after Jan. 1, 2024.

Effective Jan. 1, 2024.

(Amends R.S. 47:31, 32(A), and 300.1; Repeals R.S. 47:32.1)