HLS 23RS-110 ORIGINAL

2023 Regular Session

HOUSE BILL NO. 424

1

BY REPRESENTATIVE NELSON

TAX/INCOME TAX: Phases-out the taxes levied on the income of individuals and estates and trusts and reduces the amount of exemptions, deductions, and credits that may be claimed to reduce income tax liability

AN ACT

2 To amend and reenact R.S. 47:31, 32(A), and 300.1, to enact R.S. 47:32.2 and 300.12, and 3 to repeal R.S. 47:32.1, relative to income taxes; to provide for the rate of the 4 individual income tax; to provide for a reduction and eventual elimination of the 5 individual income tax; to provide for the rate of the income tax levied on estates and 6 trusts; to provide for a reduction and eventual elimination of the income taxes levied 7 on estates and trusts; to provide for the claiming of income tax exemptions, 8 deductions, and credits for individuals and estates and trusts; to repeal the automatic 9 reduction in each individual income tax rate under certain circumstances; to provide 10 for applicability; to provide for an effective date; and to provide for related matters. 11 Be it enacted by the Legislature of Louisiana: 12 Section 1. R.S. 47:31, 32(A), and 300.1 are hereby amended and reenacted and R.S. 13 47:32.2 and 300.12 are hereby enacted to read as follows: 14 §31. Individuals, corporations and trusts subject to tax 15 A.(1) There shall be levied, collected, and paid for each taxable year a tax 16 upon the net income of residents and nonresidents, estates, trusts, and corporations, 17 as hereinafter provided.

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	(2) Notwithstanding the provisions of Paragraph (1) of this Subsection, for
2	taxable years beginning on or after January 1, 2027, no tax shall be levied, collected,
3	or paid upon the taxable income of residents and nonresidents, estates, or trusts.
4	(1) B.(1) Resident individuals. (a) Every person residing within the state,
5	or the personal representative in the event of death, shall pay a tax on net income
6	from whatever source derived, except as hereinafter exempted.
7	(b) Every natural person domiciled in the state, and every other natural
8	person who maintains a permanent place of abode within the state or who spends in
9	the aggregate more than six months of the taxable year within the state, shall be
10	deemed to be a resident of this state for the purpose of determining liability for
11	income taxes under this Chapter.
12	(2) Nonresident individuals. Every nonresident shall pay a tax upon such net
13	income as is derived from property located, or from services rendered, or from
14	business transacted within the state, or from sources within the state, except as
15	hereinafter exempted.
16	(3) C. Corporations. Corporations shall be taxed on net income from sources
17	within the state, as hereinafter set out.
18	(4) D.(1) Domestic real estate investment trusts. Trusts shall be taxed on net
19	income from whatever source derived, except as otherwise exempted.
20	(5) (2) Foreign real estate investment trusts. Foreign real estate investment
21	trusts shall be taxed on net income from sources within the state, as hereinafter set
22	out.
23	§32. Rates of tax
24	A. On individuals. (1) For taxable years beginning before January 1, 2024,
25	the The tax to be assessed, levied, collected, and paid upon the taxable income of an
26	individual shall be computed at the following rates:
27	(1)(a) One and eighty-five one hundredths percent on that portion of the first
28	twelve thousand five hundred dollars of net income which is in excess of the credits
29	against net income provided for in R.S. 47:79.

1	(2) (b) Three and one-half percent on the next thirty-seven thousand five
2	hundred dollars of net income.
3	(3) (c) Four and twenty-five one hundredths percent on any amount of net
4	income in excess of fifty thousand dollars of net income.
5	(2) For taxable years beginning on or after January 1, 2024, but before
6	January 1, 2025, the tax to be assessed, levied, collected, and paid upon the taxable
7	income of an individual shall be computed at the following rates:
8	(a) One and thirty-eight one hundredths percent on that portion of the first
9	twelve thousand five hundred dollars of net income which is in excess of the credits
10	against net income provided for in R.S. 47:79.
11	(b) Two and sixty-three one hundreths percent on the next thirty-seven
12	thousand five hundred dollars of net income.
13	(c) Three and eighteen one hundredths percent on any amount of net income
14	in excess of fifty thousand dollars of net income.
15	(3) For taxable years beginning on or after January 1, 2025, but before
16	January 1, 2026, the tax to be assessed, levied, collected, and paid upon the taxable
17	income of an individual shall be computed at the following rates:
18	(a) Ninety-one one hundredths percent on that portion of the first twelve
19	thousand five hundred dollars of net income which is in excess of the credits against
20	net income provided for in R.S. 47:79.
21	(b) One and seventy-five one hundredths percent on the next thirty-seven
22	thousand five hundred dollars of net income.
23	(c) Two and eleven one hundreths percent on any amount of net income in
24	excess of fifty thousand dollars of net income.
25	(4) For taxable years beginning on or after January 1, 2026, but before
26	January 1, 2027, the tax to be assessed, levied, collected, and paid upon the taxable
27	income of an individual shall be computed at the following rates:
28	(a) Forty-five one hundreths percent on that portion of the first twelve
29	thousand five hundred dollars of net income which is in excess of the credits against
30	net income provided for in R.S. 47:79.

1	(b) One and twenty-four one hundredths percent on the next thirty-seven
2	thousand five hundred dollars of net income.
3	(c) One percent on any amount of net income in excess of fifty thousand
4	dollars of net income.
5	(5) For taxable years beginning on or after January 1, 2027, no tax shall be
6	assessed, levied, collected, or paid upon the taxable income of an individual.
7	* * *
8	§32.2. Utilization of individual income tax exemptions, deductions, and credits;
9	limitations
10	The value of each exemption, deduction, and credit included in Chapter 26
11	of Title 25 of the Louisiana Revised Statutes of 1950; this Chapter, Chapters 3 and
12	5 of Subtitle V, and Chapters 1, 2, and 3 of Subtitle VII of this Title; and Chapters
13	21, 26, 39, and 39-C of Title 51 of the Louisiana Revised Statutes of 1950, claimed
14	on a tax return to limit the individual income tax liability of a taxpayer shall be
15	reduced as follows:
16	(1) For taxable years beginning on or after January 1, 2024, but before
17	January 1, 2025, the value of each exemption, deduction, and credit claimed on a tax
18	return to limit individual income tax liability shall be reduced by twenty-five percent.
19	(2) For taxable years beginning on or after January 1, 2025, but before
20	January 1, 2026, the value of each exemption, deduction, and credit claimed on a tax
21	return to limit individual income tax liability shall be reduced by fifty percent.
22	(3) For taxable years beginning on or after January 1, 2026, but before
23	January 1, 2027, the value of each exemption, deduction, and credit claimed on a tax
24	return to limit individual income tax liability shall be reduced by seventy-five
25	percent.
26	(4) For taxable years beginning on or after January 1, 2027, the value of each
27	exemption, deduction, and credit claimed on a tax return to limit individual income
28	tax liability shall be reduced by one hundred percent.
29	* * *

1	§300.1. Tax imposed
2	A. There is imposed an income tax for each taxable year upon the Louisiana
3	taxable income of every estate or trust, whether resident or nonresident. The For
4	taxable years beginning before January 1, 2024, the tax to be assessed, levied,
5	collected, and paid upon the Louisiana taxable income of an estate or trust shall be
6	computed at the following rates:
7	(1) One and eighty-five hundredths percent on the first ten thousand dollars
8	of Louisiana taxable income.
9	(2) Three and one-half percent on the next forty thousand dollars of
10	Louisiana taxable income.
11	(3) Four and twenty-five one hundredths percent on Louisiana taxable
12	income in excess of fifty thousand dollars.
13	B. For taxable years beginning on or after January 1, 2024, but before
14	January 1, 2025, the tax to be assessed, levied, collected, and paid upon the
15	Louisiana taxable income of an estate or trust shall be computed at the following
16	rates:
17	(1) One and thirty-eight one hundredths percent on the first ten thousand
18	dollars of Louisiana taxable income.
19	(2) Two and sixty-three one hundreths percent on the next forty thousand
20	dollars of Louisiana taxable income.
21	(3) Three and eighteen one hundredths percent on Louisiana taxable income
22	in excess of fifty thousand dollars.
23	C. For taxable years beginning on or after January 1, 2025, but before
24	January 1, 2026, 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	(1) Ninety-one one hundredths percent on the first ten thousand dollars of
27	Louisiana taxable income.
28	(2) One and seventy-five one hundredths percent on the next forty thousand
29	dollars of Louisiana taxable income.

1	(3) Two and eleven one hundreths percent on Louisiana taxable income in
2	excess of fifty thousand dollars.
3	D. For taxable years beginning on or after January 1, 2026, but before
4	January 1, 2027, 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	(1) Forty-five one hundreths percent on the first ten thousand dollars of
7	Louisiana taxable income.
8	(2) One and twenty-four one hundredths percent on the next forty thousand
9	dollars of Louisiana taxable income.
10	(3) One percent on Louisiana taxable income in excess of fifty thousand
11	dollars.
12	E. For taxable years beginning on or after January 1, 2027, no tax shall be
13	assessed, levied, collected, or paid upon the Louisiana taxable income of an estate
14	or trust.
15	* * *
16	§300.12. Utilization of income tax exemptions, deductions, and credits applicable
17	to estates and trusts; limitations
18	The value of each exemption, deduction, and credit included in Chapter 26
19	of Title 25 of the Louisiana Revised Statutes of 1950; this Chapter, Chapters 3 and
20	5 of Subtitle V, and Chapters 1, 2, and 3 of Subtitle VII of this Title; and Chapters
21	21, 26, 39, and 39-C of Title 51 of the Louisiana Revised Statutes of 1950, claimed
22	on a tax return to limit the income tax liability of an estate or trust shall be reduced
23	as follows:
24	(1) For taxable years beginning on or after January 1, 2024, but before
25	January 1, 2025, the value of each exemption, deduction, and credit claimed on a tax
26	return to limit the income tax liability of an estate or trust shall be reduced by
27	twenty-five percent.
28	(2) For taxable years beginning on or after January 1, 2025, but before
29	January 1, 2026, the value of each exemption, deduction, and credit claimed on a tax

1 return to limit the income tax liability of an estate or trust shall be reduced by fifty 2 percent. (3) For taxable years beginning on or after January 1, 2026, but before 3 January 1, 2027, the value of each exemption, deduction, and credit claimed on a tax 4 5 return to limit the income tax liability of an estate or trust shall be reduced by 6 seventy-five percent. 7 (4) For taxable years beginning on or after January 1, 2027, the value of each 8 exemption, deduction, and credit claimed on a tax return to limit the income tax 9 liability of an estate or trust shall be reduced by one hundred percent. 10 Section 2. R.S. 47:32.1 is hereby repealed in its entirety. 11 Section 3. The provisions of this Act shall be applicable to taxable years beginning 12 on or after January 1, 2024. 13 Section 4. This Act shall take effect and become operative if and when the proposed 14 amendment of Article VII of the Constitution of Louisiana contained in the Act which 15 originated as House Bill No. \_\_\_ of this 2023 Regular Session of the Legislature is adopted 16 at a statewide election and becomes effective.

## 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 424 Original

2023 Regular Session

Nelson

**Abstract:** Phases-out individual income taxes and taxes levied on the income of estates and trusts over four years, reduces the amount of exemptions, deductions, and credits that may be claimed on tax returns to reduce income tax liability, and repeals the automatic reduction in each individual income tax rate if certain revenue thresholds are met.

<u>Present law</u> 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.

<u>Proposed law</u> changes <u>present law</u> 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:

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- (1) From 1.85% to 1.38% on the first \$12,500 of net income.
- (2) From 3.5% to 2.63% on the next \$37,500 of net income.
- (3) From 4.25 to 3.18% on net income in excess of \$50,000.

<u>Proposed law</u> 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 1.38% to .91% on the first \$12,500 of net income.
- (2) From 2.63% to 1.75% on the next \$37,500 of net income.
- (3) From 3.18% to 2.11% on net income in excess of \$50,000.

<u>Proposed law</u> 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 .91% to .45% on the first \$12,500 of net income.
- (2) From 1.75% to 1.24% on the next \$37,500 of net income.
- (3) From 2.11% to 1% on net income in excess of \$50,000.

<u>Proposed law</u> prohibits tax from being assessed, levied, collected, or paid upon the taxable income of an individual for tax years beginning on or after Jan. 1, 2027.

<u>Present law</u> 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.

<u>Proposed law</u> changes <u>present law</u> 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) <u>From</u> 1.85% to 1.38% on the first \$10,000 of La. taxable income.
- (2) <u>From</u> 3.5% to 2.63% on the next \$40,000 of La. taxable income.
- (3) From 4.25% to 3.18% on La. taxable income in excess of \$50,000.

<u>Proposed law</u> 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 1.38% to .91% on the first \$10,000 of La. taxable income.
- (2) From 2.63% to 1.75% on the next \$40,000 of La. taxable income.
- (3) From 3.18% to 2.11% on La. taxable income in excess of \$50,000.

<u>Proposed law</u> 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:

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

- (1) From .91% to .45% on the first \$10,000 of La. taxable income.
- (2) <u>From</u> 1.75% to 1.24% on the next \$40,000 of La. taxable income.
- (3) From 2.11% to 1% on La. taxable income in excess of \$50,000.

<u>Proposed law</u> prohibits tax from being assessed, levied, collected, or paid on the taxable income of an estate or trust beginning on or after Jan. 1, 2027.

<u>Present law</u> includes various tax incentives in the form of credits, deductions, and exemptions from individual income tax and income taxes levied on estates and trusts which reduce a taxpayer's overall tax liability.

<u>Proposed law</u> retains <u>present law</u> but reduces the value of the tax credits, deductions, and exemptions that may be claimed on a tax return to reduce a taxpayer's tax liability as follows:

- (1) For taxable years beginning on or after Jan. 1, 2024, but before Jan. 1, 2025, by 25%.
- (2) For taxable years beginning on or after Jan. 1, 2025, but before Jan. 1, 2026, by 50%.
- (3) For taxable years beginning on or after Jan. 1, 2026, but before Jan. 1, 2027, by 75%.
- (4) For taxable years beginning on or after Jan. 1, 2027, by 100%.

<u>Present law</u> 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 <u>existing constitution</u>. If the conditions in <u>present law</u> are met, individual income tax rates are reduced beginning the following January first.

<u>Present law</u> 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 <u>present constitution</u>. 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 all taxable years beginning on or after Jan. 1, 2024.

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 2023 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:31, 32(A), and 300.1; Adds R.S. 47:32.2 and 300.12; Repeals R.S. 47:32.1)