



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 1122** HLS 26RS 2662  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 2, 2026	11:15 AM	<b>Author:</b> BEAULLIEU
<b>Dept./Agy.:</b> Department of Revenue		<b>Analyst:</b> Noah O'Dell
<b>Subject:</b> Reduces the Individual Income Tax Rate		

TAX/INCOME TAX OR DECREASE GF RV See Note Page 1 of 1  
 Establishes a calculation to be used for reducing the rate of the state tax levied on individuals

Current law provides for an individual income tax (IIT) rate of 3%.

Proposed law requires the IIT rate to be reduced if monies are deposited in the Louisiana Income Tax Elimination Fund prior to June 30 of a fiscal year. No later than September 30 following such deposit, the secretary of the Department of Revenue (LDR) must calculate the reduced income tax rate according to the formula provided in the bill. No reduction is made if the calculated rate change would be 0.05% or less. The new personal income tax rate will be applicable to the immediately following tax year. LDR shall publish the reduced rate on the department's website and include the reduced rate in the tax tables and withholding tables.

Effective upon the passage and approval of the constitutional amendment contained in HB 646 of the 2026 RS.  
 Note: HB 646 Original sets an election date of November 3, 2026.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$25,200	\$25,200	\$25,200	\$25,200	\$100,800
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$25,200</b>	<b>\$25,200</b>	<b>\$25,200</b>	<b>\$25,200</b>	<b>\$100,800</b>

  

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Agy. Self-Gen.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

If a deposit is made into the Louisiana Income Tax Elimination (LITE) Fund, proposed law is anticipated to increase \$25,200 SGR expenditures within the Department of Revenue (LDR) in FY 28 and each fiscal year thereafter in which a rate change is implemented for system development and testing. LDR reports these costs can be absorbed within its current budget.

Additionally, reduced IIT revenues over time may lower the state's debt capacity under the constitutional limitation on debt (6% of taxes, licenses, and fees), which may constrain funding for capital outlay projects in future years.

**REVENUE EXPLANATION**

To the extent a deposit is made into the LITE Fund in FY 27, proposed law is anticipated to decrease SGF revenue\* from individual income tax (IIT) collections by an indeterminable amount beginning in FY 28. The bill establishes a mechanism by which a deposit into the LITE Fund permanently reduces the IIT rate beginning in the next tax year. Because the rate reduction is permanent and applies to future tax years, successive deposits may result in cumulative reductions in the IIT rate. As such, the bill effectively converts nonrecurring deposits into a recurring reduction in SGF revenue.

The secretary of LDR is directed to calculate a reduced individual income tax rate according to the following formula:  
 Current IIT Rate - [(Deposit into LITE Fund in FY ÷ PIT Collections in FY) x Current IIT Rate] = New IIT Rate

The Legislative Fiscal Office (LFO) is unable to produce an exact estimate of the amount of revenue loss that will occur under the bill, as the resulting rate reduction depends on the amount deposited into the LITE Fund and personal income tax collections in the respective fiscal year. At this time, deposits into the LITE Fund are speculative.

For illustrative purposes, if personal income tax collections total approximately \$4 B in FY 27 and \$100 M is deposited into the LITE Fund in FY 27, the resulting new income tax rate would be calculated as follows, assuming a current IIT rate of 3%:

3% - [(\$100 M ÷ \$4 B) x 3%] = 2.925%, applicable beginning in tax year 2028. LFO estimates this would reduce SGF revenue by approximately \$30 M in FY 28 and \$77.5 M in subsequent fiscal years. This estimate is generated by a micro-simulation model processing 2023 individual income tax return data. No growth path has been assumed for purposes of this note, nor has an inflationary path been incorporated into the standard deduction tied to CPI-U under current law. **Because the LITE Fund is not created in this bill, the LFO is not dual referring this instrument under the provisions of Senate Rule 13.5.2 or House Rule 6.8(G) as the triggering mechanism is not fully established in proposed or existing law.**

\*A portion of the SGF impact may originate as the LDR retention of 1% of income collections initially classified as SGR for use in its budget but ultimately reverted to the SGF. Should LDR reversions cease, this could become an SGR impact.

*The bill does not define the LITE Fund. LFO assumes this fund is created through a separate legislative instrument. In addition, the bill does not define "personal income tax collections" for purposes of the rate calculation. Specifically, it is unclear whether such collections are measured on a gross or net basis and the extent to which collections attributable to pass-through entities, estates, and trusts are included. This may affect the calculation performed by the secretary of LDR.*

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}

*Alan M. Boxberger*  
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