

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 175** SLS 17RS 352
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue	Analyst: Alan M. Boxberger
Subject: Provides for a deduction for certain casualty losses	

TAX/INCOME/PERSONAL OR DECREASE GF RV See Note Page 1 of 1
 Provides for a deduction for certain casualty losses arising from a major disaster. (gov sig)

Present law authorizes a deduction from state individual income tax for excess federal itemized deductions in excess of the federal standard deduction. Casualty losses resulting from a disaster are included in federal itemized deductions. Proposed law authorizes a deduction of up to \$10,000 for disaster losses for taxpayers whose losses were not reimbursed, who were not able to itemize deductions on their federal income tax returns, or who were not able to deduct all of their disaster losses on their federal income tax return due to casualty loss limitations. Proposed law provides that taxpayers who incurred unreimbursed losses due to a major disaster in 2016 or 2017 shall claim this deduction on their 2017 income tax return, and allows a taxpayer who incurred unreimbursed losses in both years to claim up to \$10,000 per year.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The Department of Revenue reports that proposed law will result in estimated SGF expenditures of \$81,360 in FY 18 (\$51,360 for computer system development and modification, tax form redesign, and testing; \$30,000 to update equipment and software to process revised tax returns by the Revenue Processing Center). Costs for computer system modification and testing, tax form redesign, and taxpayer inquiries are typically small for individual tax law changes and typically absorbed within existing resources until cumulative changes necessitate that additional resources be provided.

REVENUE EXPLANATION

Proposed law could result in an indeterminable but possibly significant reduction of income tax revenues. Proposed law amends statutes relative to an individual's ability to deduct casualty losses resulting from a disaster that are not reimbursed. These losses are currently only deducted by individuals who itemize deductions on their federal return. Proposed law will allow individuals who do not itemize or had casualty losses limited, to deduct up to \$10,000 in tax table income.

Proposed law applies to all taxable periods beginning on or after January 1, 2016. A casualty loss included in a taxpayer's 2016 income tax filing that was subject to taxation may be deducted on the 2017 income tax return as an unreimbursed loss. Reimbursed losses are limited to \$10,000 per year for 2016 and 2017, assuming that a tax filer realized qualifying losses in both years.

The Louisiana Department of Revenue reports that it is unable to estimate the potential impact to the state fisc, as there is not currently a reporting requirement for this data. However, given the economic and associated casualty property losses realized as a result of severe flooding events in 2016 and other declared disasters in 2016 and 2017, proposed law could result in an indeterminable but significant decrease in income tax collections to the extent that proposed law broadens deductions for losses currently included in tax table income for individuals.

For informational purposes, actuaries with the Louisiana Department of Insurance provided the following estimated exposure for the state for the August 2016 flooding event alone: estimated number of uninsured flood loss claims was 161,808 (all property and vehicles combined) at a total value of \$11.1 billion, with an average severity of claim totaling \$68,777. This estimate counts a property and vehicle claim separately to arrive at a total of 161,808, therefore the number of claims on individual tax returns will be less.

The average effective income tax rate of all Louisiana tax filers is 3.4%. For each maximum qualifying deduction claim of \$10,000, the income tax receipts could realize a corresponding average reduction of approximately \$340. For every 10,000 individuals qualifying for the maximum deduction, the revenue impact would be approximately (\$3,400,000).

Senate Dual Referral Rules
 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}

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