

2016 First Extraordinary Session

HOUSE BILL NO. 48

BY REPRESENTATIVE ABRAMSON

TAX/INCOME TAX: Reduces the rates and adjusts the brackets for purposes of calculating individual income tax and provides relative to certain tax credits and deductions (Items #3, 18, and 26)

1 AN ACT

2 To amend and reenact R.S. 47:32(A), 293(3), 295(B), and 297.8(A), relative to individual
3 income tax; to provide with respect to the income tax rates and brackets for purposes
4 of calculating individual income tax; to provide relative to certain deductions; to
5 repeal the deduction for excess federal itemized personal deductions for certain
6 periods of time; to provide relative to certain income tax credits; to increase the
7 amount of the earned income tax credit for certain periods of time; to provide for
8 applicability; and to provide for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:32(A), 293(3), 295(B), and 297.8(A) are hereby amended and
11 reenacted to read as follows:

12 §32. Rates of tax

13 A.(1) On individuals. The tax to be assessed, levied, collected, and paid
14 upon the taxable income of an individual until December 31, 2016, shall be
15 computed at the following rates:

16 ~~(1)~~(a) Two percent on that portion of the first twelve thousand five hundred
17 dollars of net income which is in excess of the credits against net income provided
18 for in R.S. 47:79;

1 ~~(2)~~(b) Four percent on the next thirty-seven thousand five hundred dollars
2 of net income;

3 ~~(3)~~(c) Six percent on any amount of net income in excess of fifty thousand
4 dollars of net income.

5 (2) Beginning January 1, 2017 through December 31, 2019, the tax shall be
6 computed at the following rates:

7 (a) Two percent on that portion of the first twelve thousand five hundred
8 dollars of net income which is in excess of the credits against net income provided
9 for in R.S. 47:79;

10 (b) Three percent on the next twelve thousand five hundred dollars of net
11 income;

12 (c) Five percent on the next two hundred twenty-five thousand dollars of net
13 income;

14 (d) Five and one-half percent on any amount of net income in excess of two-
15 hundred fifty thousand dollars of net income.

16 (3) Beginning January 1, 2020, the tax shall be computed at the following
17 rates:

18 (a) Two percent on that portion of the first twelve thousand five hundred
19 dollars of net income which is in excess of the credits against net income provided
20 for in R.S. 47:79;

21 (b) Four percent on the next thirty-seven thousand five hundred dollars of
22 net income;

23 (c) Six percent on any amount of net income in excess of fifty thousand
24 dollars of net income.

25 * * *

26 §293. Definitions

27 The following definitions shall apply throughout this Part, unless the context
28 requires otherwise:

29 * * *

1 (3) "Excess federal itemized personal deductions" for the purposes of this
2 Part, means the following percentages of the amount by which the federal itemized
3 personal deductions exceed the amount of federal standard deductions which is
4 designated for the filing status used for the taxable period on the individual income
5 tax return required to be filed:

6 (a) ~~For tax years beginning during calendar year 2007, fifty-seven and one~~
7 ~~half percent of such excess federal itemized personal deductions.~~

8 (b) ~~For tax years beginning during calendar year 2008, sixty-five percent of~~
9 ~~such excess federal itemized personal deductions.~~

10 (c) ~~For all tax years beginning on and after January 1, 2009, during calendar~~
11 ~~years 2009 through 2016, one hundred percent of such excess federal itemized~~
12 ~~personal deductions.~~

13 (b) For tax years beginning during calendar years 2017 through 2019, no
14 excess itemized personal deduction shall be allowed.

15 (c) For all tax years beginning after calendar year 2020, one hundred percent
16 of such excess federal itemized personal deductions.

17 * * *

18 §295. Tax imposed on individuals; administration

19 * * *

20 B. The secretary shall establish tax tables that calculate the tax owed by
21 taxpayers based upon where their taxable income falls within a range that shall not
22 exceed two hundred fifty dollars. The secretary shall provide in the tax tables that
23 the combined personal exemption, standard deduction, and other exemption
24 deductions in R.S. 47:294 shall be deducted from the ~~two percent~~ lowest bracket.
25 If such combined exemptions and deductions exceed the ~~two percent~~ lowest bracket,
26 the excess shall be deducted from the ~~four percent~~ next lowest bracket. If such
27 combined exemptions and deductions exceed the ~~two and four percent~~ lowest two
28 brackets, the excess shall be deducted from the ~~six percent~~ next lowest bracket.

29 * * *

1 §297.8. Earned income tax credit

2 A.(1) Until December 31, 2016, there ~~There~~ shall be a credit against the tax
3 imposed by this Chapter for individuals in an amount equal to three and one-half
4 percent of the federal earned income tax credit for which the individual is eligible
5 for the taxable year under Section 32 of the Internal Revenue Code.

6 (2) Beginning January 1, 2017 through December 31, 2019, the amount of
7 the credit shall be equal to seven percent of the federal earned income tax credit for
8 which the individual is eligible for the taxable year under Section 32 of the Internal
9 Revenue Code.

10 (3) Beginning January 1, 2020, the amount of the credit shall be equal to
11 three and one-half percent of the federal earned income tax credit for which the
12 individual is eligible for the taxable year under Section 32 of the Internal Revenue
13 Code.

14 * * *

15 Section 2. The provisions of this Act shall be applicable to all taxable years
16 beginning on and after January 1, 2017.

17 Section 3. This Act shall become effective on July 1, 2016; if vetoed by the governor
18 and subsequently approved by the legislature, this Act shall become effective on July 1,
19 2016, or on the day following such approval by the legislature, whichever is later.

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 48 Original 2016 First Extraordinary Session Abramson

Abstract: For three-years beginning Jan. 1, 2017, reduces the individual income tax rates and brackets for purposes of calculating the individual income tax, repeals the deduction for excess federal itemized personal deductions, and increases the amount of the earned income tax credit.

Present law provides for a tax to be assessed, levied, collected and paid upon the taxable income of an individual at the following rates and brackets:

- (1) 2% on the first \$12,500 of net income;

- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

Proposed law provides that the rates and brackets shall be the following from Jan. 1, 2017 thru Dec. 31, 2019:

- (1) 2% on the first \$12,500 of net income;
- (2) 3% on the next \$12,500 of net income;
- (3) 5% on the next \$225,000 of net income;
- (4) 5.5% on net income in excess of \$250,000.

Proposed law provides that the rates and brackets shall revert back to present law, beginning Jan. 1, 2020 as follows:

- (1) 2% on the first \$12,500 of net income;
- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

Present law requires the secretary of the Dept. of Revenue to establish tax tables that calculate the tax owed by taxpayers based upon where their taxable income falls within a range that shall not exceed \$250. Further requires the secretary to provide for the deduction of certain exemptions and deductions from income that falls within certain brackets. Proposed law retains present law but updates the bracket references in light of changes in proposed law.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Excess federal itemized personal deductions is defined to mean the amount by which the federal itemized personal deductions exceed the amount of federal standard deduction designated for the filing status used for the taxable period on the individual income tax return. Proposed law disallows taxpayers to deduct excess federal itemized personal deductions on their state individual income tax returns for tax years during calendar years 2017 through 2019 but reinstates 100% of the deduction for all tax years beginning after calendar year 2020.

Present law provides for an individual income tax credit in an amount equal to 3.5% of the amount of the taxpayer's federal earned income tax credit authorized under Section 32 of the Internal Revenue Code. Proposed law increases the amount of the state tax credit from 3.5% to 7% of the federal tax credit from Jan. 1, 2017 thru Dec. 31, 2019. Proposed law reduces the the amount of the state tax credit from 7% to 3.5% of the federal tax credit on Jan. 1, 2020.

Applicable to all taxable periods beginning on and after Jan. 1, 2017.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:32(A), 293(3), 295(B), and 297.8(A))