

NOTICE OF INTENT

Department of Revenue Policy Services Division

Income Tax Withholding Tables (LAC 61:I.1501)

Under the authority of R.S. 47:32, R.S. 47:112, R.S. 47:295, and R.S. 47:1511 and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the Department of Revenue, Policy Services Division, proposes to amend LAC 61:I.1501 relative to individual income tax withholding tables based on the income tax rates as provided by Act 396 of the 2008 Regular Session of the Louisiana Legislature.

Act 396 amended R.S. 47:32 to reduce state income tax rates in the two highest income brackets for tax years beginning on or after January 1, 2009. Act 396 provided that the revised withholding tables will not become effective until after July 1, 2009. LAC 61:I.1501 is being amended to correct minor errors in the income tax withholding tax formulas. The errors do not affect the income tax withholding tables.

Title 61

REVENUE AND TAXATION

Part I. Taxes Collected and Administered by the Secretary of Revenue

Chapter 15. Income: Withholding Tax

§1501. Income Tax Withholding Tables

A. - C.4. ...

D. Income Tax Withholding Formulas. The overall structure of the formulas used to compute the withholding tax is to calculate the tax on the total wage amount and then subtract the amount of tax calculated on the personal exemptions and dependency credits the taxpayer claims for withholding purposes. The correct withholding formula depends upon the number of personal exemptions claimed and annual wages.

1. Withholding Formulas for Single or Married Taxpayers Claiming 0 or 1 Personal Exemption

W is the withholding tax per pay period.

S is employee's salary per pay period for each bracket.

X is the number of personal exemptions; X must be 0 or 1.

Y is the number of dependency credits; Y must be a whole number that is 0 or greater.

N is the number of pay periods.

A is the effect of the personal exemptions and dependency credits equal to or less than \$12,500;

$$A = .021(((X * 4500) + (Y * 1000)) \div N).$$

B is the effect of the personal exemptions and dependency credits in excess of \$12,500

$$B = .016(((X * 4500) + (Y * 1000)) - 12,500) \div N).$$

If annual wages are less than or equal to \$12,500, then

$$W = .021(S) - (A + B).$$

If annual wages are greater \$12,500 but less than or equal to \$50,000, then

$$W = .021(S) + .0160(S - (12,500 \div N)) - (A + B).$$

If annual wages are greater than \$50,000, then

$$W = .021(S) + .0160(S - (12,500 \div N)) + .0135(S - (50,000 \div N)) - (A + B).$$

2. Withholding Formulas for Married Taxpayers Claiming 2 Personal Exemptions

W is the withholding tax per pay period.

S is the employee's salary per pay period for each bracket.

X is the number of personal exemptions. X must be 2.

Y is the number of dependency credits. Y must be 0 or greater.

N is the number of pay periods.

A is the effect of the personal exemptions and dependency credits equal to or less than \$25,000;

$$A = .021(((X * 4500) + (Y * 1000)) \div N)$$

B is the effect of the personal exemptions and dependency credits in excess of \$25,000;

$$B = .0165(((X * 4500) + (Y * 1000)) - 25,000) \div N)$$

If annual wages are less than or equal to \$25,000, then

$$W = .021(S) - (A + B).$$

If annual wages are greater \$25,000 but less than or equal to \$100,000, then

$$W = .021(S) + .0165(S - (25,000 \div N)) - (A + B).$$

If annual wages are greater than \$100,000, then

$$W = .021(S) + .0165(S - (25,000 \div N)) + .0135(S - (100,000 \div N)) - (A + B).$$

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:32, R.S. 47:112, R.S. 47:295 and R.S. 47:1511.

HISTORICAL NOTE: Promulgated by the Louisiana Department of Revenue, Policy Services Division, LR 35:255 (February 2009), amended LR 35:

Family Impact Statement

The proposed adoption of LAC 61:I.1501, regarding income tax withholding should not have any known or foreseeable impact on any family as defined by R.S. 49:972(D) or on family formation, stability, and autonomy. The implementation of this proposed Rule will have no known or foreseeable effect on:

1. the effect on the stability of the family;
2. the effect on the authority and rights of parents regarding the education and supervision of their children;
3. the effect on the functioning of the family;
4. the effect on family earnings and family budget;
5. the effect on the behavior and personal responsibility of children;
6. the ability of the family or a local government to perform the function as contained in the proposed Rule.

Interested persons may submit written data, views, arguments or comments regarding this proposed Rule to Leonore Heavey, Revenue Tax Assistant Director, Policy Services Division by mail to P.O. Box 44098, Baton Rouge, LA 70804-4098 or by fax to 225-219-2759. All comments must be received no later than 4:30 p.m., Wednesday, June 24, 2009. A public hearing will be held on Thursday, June 25, 2009 at 1:30 p.m. in the River Room on the seventh floor of the LaSalle Building, 617 North Third Street, Baton Rouge, LA 70802.

Cynthia Bridges
Secretary

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES RULE TITLE: Income Tax Withholding Tables

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENT UNITS (Summary)

This proposed amendment to LAC 61:I.1501 corrects minor errors in the reproduction of individual income tax withholding formulas in LAC 61:I.1501 based on the new income tax rates provided by Act 396 of the 2008 Regular Session. The Act imposes the individual income tax on joint returns as follows: two percent of the first \$25,000, four percent of income from \$25,000 to \$100,000, and six percent of income over \$100,000. For single returns the bracket thresholds are one-half those of joint returns. The formulas containing these changes do not affect the calculated income tax withholding tables in LAC 61:I.1501.

Implementation of this proposed regulation as amended will result in additional costs to the state of less than \$100,000 associated with educating taxpayers. This additional cost will be absorbed within the current agency budget.

There will be no costs or savings to local governmental units.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

Effective January 1, 2009, Act 396 expands the four percent bracket, creating a decrease to state individual income tax revenue. However, because Act 396 does not require the amendment of the withholding tables until July 1, 2009, it is expected that most taxpayers will not adjust withholdings in the first half of the 2009 calendar year. The income tax losses over the next several years are \$359 million for FY 09/10, \$251 million for FY 10/11, \$262 million for FY 11/12 and \$273 million for FY 12/13, according to the Legislative Fiscal Office.

The corrected formulas will be effective on July 1, 2009, as provided in Act 396.

There will be no impact on local revenue collections.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

This proposed amendment to LAC 61:I.1501 directs employers required to deduct and withhold income tax pursuant to R.S. 47:112, to deduct and withhold the tax in an amount determined in accordance with the tables provided in the regulation, or by use of a formula that produces equivalent amounts. The impact on costs for the employers relying on the previously published formulas will be in relation to any expense in adjusting withholding calculators to match the formulaic changes included in this rule.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

This proposed amendment to LAC 61:I.1501 should not affect competition or employment

Cynthia Bridges
Secretary
0905#059

Robert E. Hosse
Staff Director
Legislative Fiscal Office