

Louisiana Forward Tax Reform

Putting More Money in Your Pocket

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Current Law – Individual Income Tax

- Tax is assessed on resident’s income derived from all sources and a nonresident’s income derived from Louisiana sources
- Louisiana provides a credit for income tax paid to other states on income that is also taxed by Louisiana
- Provides for a \$4,500 standard deduction and 3 rates based on income level:

	Effective for taxable periods beginning after December 31, 2002	Effective for taxable periods beginning after December 31, 2008	Effective for taxable periods beginning after December 31, 2021
Married couple filing joint return or qualifying widow	2% on the first \$25,000	2% on the first \$25,000	1.85% on the first \$25,000
	4% on the next \$25,000	4% on the next \$75,000	3.5% on the next \$75,000
	6% on the taxable income above \$50,000	6% on the taxable income above \$100,000	4.25% on the taxable income above \$100,000
Single, Head of Household, or married filing separately	2% on the first \$12,500	2% on the first \$12,500	1.85% on the first \$12,500
	4% on the next \$12,500	4% on the next \$37,500	3.5% on the next \$37,500
	6% on the taxable income above \$25,000	6% on the taxable income above \$50,000	4.25% on the taxable income above \$50,000

- Additional \$1,000 deduction for each person that is 65+, blind, or a dependent
- Provides for an annual retirement exemption of \$6,000

Current Law – Individual Income Tax

- Taxable income calculation example:
- Married couple with 3 children and \$100k of household income
 - First bracket:
 - \$25k less standard deduction (\$9k) less three dependent exemptions (\$3k)
 - First \$12k of income is not taxed
 - Remaining \$13k is taxed at 1.85% rate
 - Second bracket:
 - \$75k at 3.5% rate
 - Third bracket:
 - Income is \$100k, which is when third bracket starts, so no income taxed at the highest rate of 4.25%

2021 Reform

- Constitutional amendment to allow the Legislature to provide for a deduction for federal income taxes paid in statute
 - Legislative repeal of FIT deduction and bulk of federal excess itemized deduction
 - Removed the inverse effect of a decrease in state tax resulting from an increase in federal tax, or an increase in state tax resulting from a decrease in federal tax
- Statutory Triggers
 - Every January 1, (January 1, 2025) if the 3 following conditions are met, the individual income tax rate will be reduced:
 - **Condition 1:** Total Individual Income Tax Collections of the previous fiscal year (FY 24) must exceed the actual individual income collections for FY 2019, as reported in the states accounting system, adjusted annually by the growth factor (provided for in the constitution)
 - **Condition 2:** Total actual collections of Tax, License, and Fee collections, as it appears on the REC sheets, of the previous fiscal year (FY 24) must exceed the actual tax, license, and fee collections for FY 2019, as reported in the states accounting system, adjusted annually by the growth factor (provided for in the constitution)
 - **Condition 3:** The Budget Stabilization Fund balance as determined by treasury is at least 2.5% of the total state revenue receipts from the prior fiscal year (FY 24)
- If all conditions are met, the rate reduction is triggered and the new rates go into effect the following January of the calculation

Individual Income Tax Collections

Total Resident Returns Received During Fiscal Year 2023

AGI Ranges	Number of Returns	Percent of Returns	LA AGI	LA Taxable Income	LA Income Tax	Percent LA Income Tax	Non Refundable Credits	Refundable Credits	LA Income Tax After Credits	Percent LA Income Tax After Credits
negative/ zero	132,189	7%	\$ 0	\$ 901,434	\$ 49,882	0%	\$ 189,668	\$ 9,255,473	\$ 268	0%
1 - 10,000	208,496	11%	1,027,343,520	1,012,459,969	3,875,167	0%	101,866	5,149,805	3,058,026	0%
10,000 - 20,000	285,459	15%	4,279,285,028	4,251,380,267	51,634,540	1%	241,609	35,347,067	35,847,536	1%
20,000 - 30,000	238,835	13%	5,920,116,784	5,870,981,744	117,511,002	3%	2,043,468	27,276,467	95,598,874	2%
30,000 - 40,000	186,387	10%	6,475,909,573	6,408,653,743	154,420,830	4%	3,190,041	11,637,601	142,851,445	4%
40,000 - 50,000	141,705	7%	6,347,613,638	6,261,920,803	165,781,672	4%	2,215,367	3,592,437	161,340,901	4%
50,000 - 60,000	111,635	6%	6,114,080,747	6,019,966,447	170,322,602	4%	2,348,943	1,258,093	167,413,745	4%
60,000 - 80,000	155,824	8%	10,789,575,077	10,603,171,942	321,286,324	7%	4,737,466	1,535,795	315,894,787	8%
80,000 - 100,000	104,698	6%	9,366,093,570	9,183,287,068	289,734,080	7%	4,671,541	1,493,194	284,368,058	7%
100,000 - 150,000	157,639	8%	19,211,650,070	18,777,364,351	628,830,320	15%	10,666,455	2,346,849	616,903,547	16%
150,000 - 200,000	71,599	4%	12,294,998,056	11,920,311,859	434,392,302	10%	7,161,499	1,381,847	426,496,372	11%
200,000 - 500,000	73,147	4%	20,843,977,344	19,585,394,194	798,583,237	19%	18,096,160	4,840,758	777,973,216	20%
500,000 - 1,000,000	12,487	1%	8,473,935,690	7,348,362,474	340,538,702	8%	17,018,162	2,513,310	321,946,318	8%
> 1,000,000	6,470	0%	18,937,187,256	14,138,595,658	754,503,208	18%	135,674,954	12,753,233	608,070,522	15%
TOTALS	1,886,570	100%	\$130,081,766,353	\$121,382,751,953	\$4,231,463,868	100%	\$208,357,199	\$120,381,929	\$3,957,763,615	100%

Five-Year Comparison

Fiscal Year	Amount Collected
2022-23	\$4,644,285,524
2021-22	\$4,482,343,667
2020-21	\$3,778,349,240
2019-20	\$3,797,787,489
2018-19	\$3,718,127,354

¹FY 22 tax rate decreased effective January 1, 2022.

Individual Income Tax Expenditures

1	Federal Income Tax Deduction	399,378,265	24.68%
2	Personal Exemption Standard Deduction	220,332,054	13.61%
3	Social Security Benefits	158,869,675	9.82%
4	Net Income Taxes Paid to Other State Credit	129,816,933	8.02%
5	State Employees, Teachers, and Other Retirement Benefits	122,246,591	7.55%
6	Excess Federal Itemized Deductions	95,761,358	5.92%
7	Net Capital Gains Deduction	86,853,986	5.37%
8	Earned Income Tax Credit	66,045,533	4.08%
9	Rehabilitation of Historic Structures Credit	53,878,134	3.33%
10	All Other Exemptions	285,156,665	17.62%
	Total Exemptions	1,618,339,194	100%

Proposed Individual Income Tax Cut

- Flat 3% Individual Income Tax Rate
- \$12,500 standard deduction for Single, MFS
- \$25,000 standard deduction for MFJ, HOH, QSS
- \$12,000 retirement income exemption
- Repeals the current additional \$1,000 deduction for persons 65+, blind, and dependents
- Repeals the deductions for Net Capital Gains and expenses disallowed by 26 U.S.C. 280C
- Additional .2% rate reduction and doubled standard deduction for senior citizens with Constitutional Changes

How Do We Pay For It?

