



## Individual Income Tax Basics

This is a part of an ongoing series of documents to provide information on different proposals presented in the state legislature.

### Task Force for Structural Change

This task force was created by House Concurrent Resolution (HCR) 11 of the 1st Extraordinary Session of 2016. The purpose of the task force was to evaluate Louisiana's tax and budget reform efforts and make recommended changes to the state's tax laws to:

1. Bring about long-term improvements to the programs and services of state government.
2. Cost savings through more efficient and effective state operations.

This document addresses the options set forth for changes in the individual income tax structure, HCR11, to generate new state revenue.

Currently, a Louisiana resident's income tax rate depends on their level of income. The higher the income, the higher the rate.

In addition, Louisiana residents can deduct any federal income taxes paid and taxpayers who itemize on their returns can deduct any excess federal itemized deductions from their Louisiana taxable income. Excess federal itemized deductions include items such as mortgage interest and charitable donations.

<b>Rates and Brackets for Joint Filers (single filer in parenthesis)</b>	
<b>Income</b>	<b>Rate</b>
<b>First \$25,000 (\$12,500 single)</b>	2%
<b>\$25,000 to \$100,000 (\$12,500 to \$50,000 single)</b>	4%
<b>Above \$100,000 (above \$50,000 single)</b>	6%

## Task Force Individual Income Tax Recommendations

### Option 1

Option 1 requires a constitutional amendment to eliminate the deductibility of federal tax liability on individual taxes. This is similar to the constitutional amendment to eliminate the same deduction for corporate income taxes that voters rejected on November 8, 2016 (56% against and 44% for).

### Option 2

Option 2 can be implemented with just statutory changes. The rates would stay the same, but the brackets would be compressed. In addition, 0% of excess itemized deductions would be allowed (currently allowed to deduct 100%).

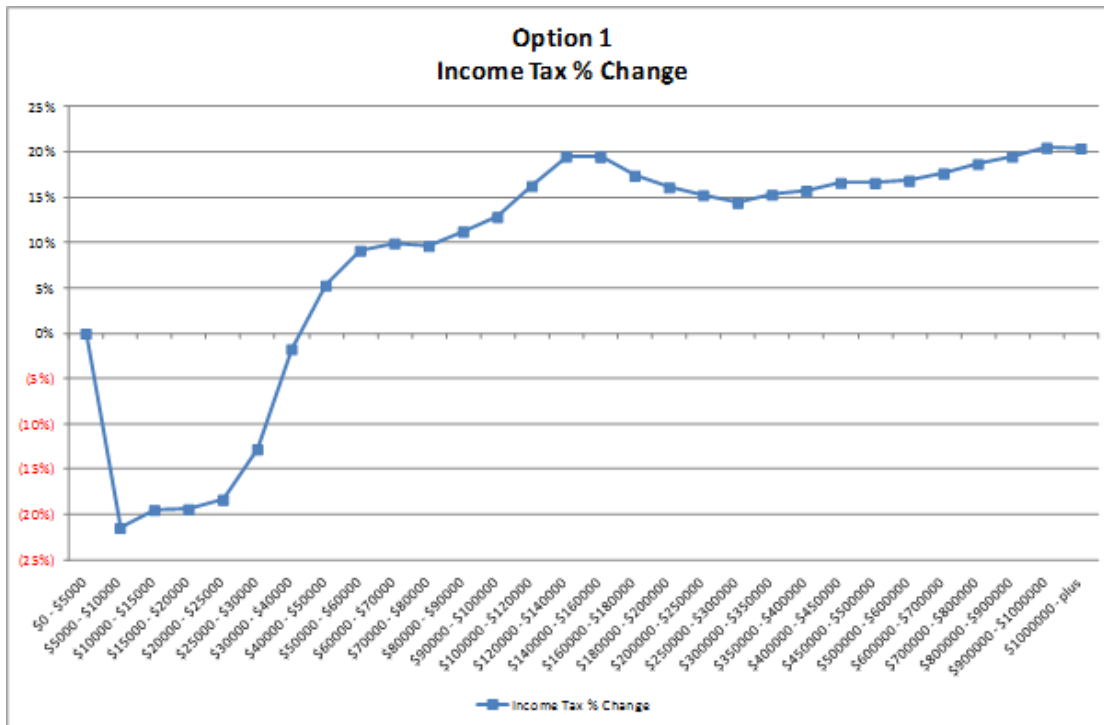
## Task Force Individual Income Tax Recommendations Illustrated

Tax Characteristic	Option 1: Requires Constitutional Amendment	Option 2: Only Requires Statutory Change
<b>Rates and Brackets (single filer in parenthesis)</b>	1.5% on first \$25,000 (\$12,500 single)	2.0% on first \$25,000 (\$12,500 single)
	3.0% on \$25,000 to \$50,000 (\$12,500 to \$25,000)	4.0% on \$25,000 to \$50,000 (\$12,500 to \$25,000)
	4.5% above \$50,000 (above \$25,000)	6.0% above \$50,000 (above \$25,000)
<b>Eliminate exclusions and deductions</b>	Eliminate Deductibility of Federal Tax Liability	Federal Tax Liability is Deductible.
	50% of Excess Itemized Deduction	0% of Excess Itemized Deduction (eliminate completely)
<b>Total Revenue Increase</b>	\$338.2 million	\$717.3 million

### Option 1 Impact on Taxpayers

Option 1 would raise approximately \$338 million in new revenue.

This chart shows the percentage change in taxes for each taxpayer by income bracket. The increase is 9.2% to 12.9% for individuals earning from \$50,000 to \$100,000. The largest increases are for individuals earning more than \$100,000 at an increase of 15% to 20.5%.

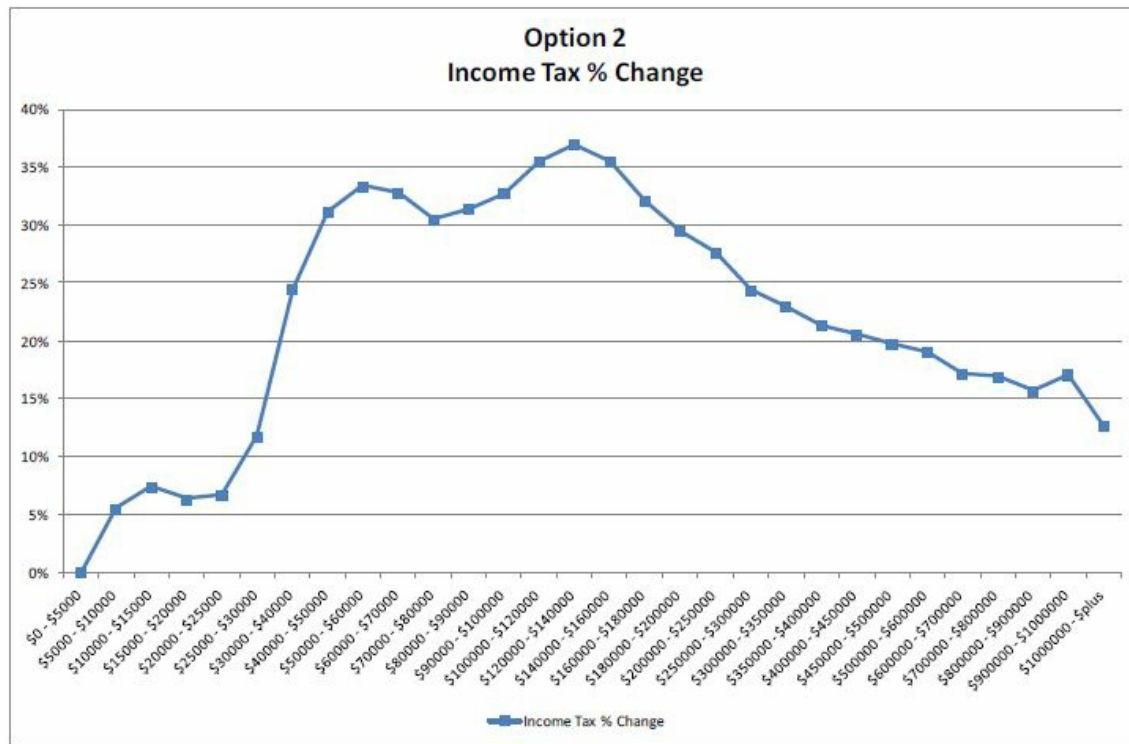


### Option 2 Impact on Taxpayers

Option 2 would raise approximately \$717 million in new revenue.

This chart shows the percentage change in taxes for each taxpayer by income bracket. The largest increase is for those individuals earning between \$40,000-\$180,000 at 30% to 37%.

Individuals earning over \$1 million would see a 12.7% increase.



All information is attributed to the House Fiscal Division. For questions or comments, contact the Louisiana House of Representatives at:

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