



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 214** HLS 23RS 585  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|  |         |                                  |
|--|---------|----------------------------------|
| <b>Date:</b> May 5, 2023                 | 7:39 PM | <b>Author:</b> DEVILLIER         |
| <b>Dept./Agy.:</b> Revenue               |         | <b>Analyst:</b> Benjamin Vincent |
| <b>Subject:</b> Income and Franchise Tax |         |                                  |

TAX/STATE OR DECREASE GF RV See Note Page 1 of 1  
 Repeals individual income, corporate income, and corporate franchise taxes and repeals all credits, deductions, exemptions, and exclusions from the taxes

Proposed law repeals the individual income tax, the corporate income tax, and the franchise tax, as well as the deductions, exemptions, exclusions, and credits applicable to these taxes.

Effective January 1, 2024, and applicable to taxable years beginning on and after January 1, 2024.

| <b>EXPENDITURES</b>                   | <b>2023-24</b>           | <b>2024-25</b>           | <b>2025-26</b>           | <b>2026-27</b>           | <b>2027-28</b>           | <b>5 -YEAR TOTAL</b>      |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| State Gen. Fd.                        | \$0                      | \$0                      | \$0                      | \$0                      | \$0                      | <b>\$0</b>                |
| Agy. Self-Gen.                        | INCREASE                 | INCREASE                 | INCREASE                 | INCREASE                 | INCREASE                 |                           |
| Ded./Other                            | \$0                      | \$0                      | \$0                      | \$0                      | \$0                      | <b>\$0</b>                |
| Federal Funds                         | \$0                      | \$0                      | \$0                      | \$0                      | \$0                      | <b>\$0</b>                |
| Local Funds                           | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               | <b><u>\$0</u></b>         |
| <b>Annual Total</b>                   |                          |                          |                          |                          |                          |                           |
| <b>REVENUES</b>                       | <b>2023-24</b>           | <b>2024-25</b>           | <b>2025-26</b>           | <b>2026-27</b>           | <b>2027-28</b>           | <b>5 -YEAR TOTAL</b>      |
| State Gen. Fd. (\$1,150,000,000)      | (\$6,100,000,000)        | (\$5,200,000,000)        | (\$5,200,000,000)        | (\$5,200,000,000)        | (\$5,200,000,000)        | <b>(\$22,850,000,000)</b> |
| Agy. Self-Gen.                        | \$0                      | \$0                      | \$0                      | \$0                      | \$0                      | <b>\$0</b>                |
| Ded./Other                            | \$0                      | \$0                      | \$0                      | \$0                      | \$0                      | <b>\$0</b>                |
| Federal Funds                         | \$0                      | \$0                      | \$0                      | \$0                      | \$0                      | <b>\$0</b>                |
| Local Funds                           | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               | <b><u>\$0</u></b>         |
| <b>Annual Total (\$1,150,000,000)</b> | <b>(\$6,100,000,000)</b> | <b>(\$5,200,000,000)</b> | <b>(\$5,200,000,000)</b> | <b>(\$5,200,000,000)</b> | <b>(\$5,200,000,000)</b> | <b>?</b>                  |

**EXPENDITURE EXPLANATION**

Specific administrative expenditures due to repeal of individual and corporate income and franchise taxes have not been determined. Any increase in expenditures for the Department of Revenue is expected to be incurred as self-generated revenue but could translate into a reduction in state general fund revenue through a smaller reversion.

**REVENUE EXPLANATION**

A rough guide to the amount of tax that would ultimately be foregone as result of this bill is reflected in the Revenue Estimating Conference (REC) forecasts of approximately \$4.6 billion per fiscal year of individual income tax collections (\$4.486 billion for FY24, \$4.585 billion for FY25, and \$4.686 billion for FY26), and approximately \$600 million per fiscal year of corporate income and franchise tax collections (\$570 million for FY24, \$584 million for FY25, and \$598 million for FY26). These are fiscal year forecasts that reflect multiple tax years of returns in each fiscal year, although the bill eliminates these taxes with the single tax year of 2024. The bill also appears to eliminate the credits applicable to these taxes, and in that sense appears to reduce net collections as contained in the REC forecasts above, rather than gross collections with credits migrating to other taxes.

Specific estimates of the annual revenue losses from the repeal of these taxes is complicated by the fact that realization of income tax year changes typically occur over a three fiscal year period of transition. The first tax year of elimination would result in fiscal year revenue losses beginning in FY24 from the drop in withholdings collections, quarterly declarations of corporate income tax, and timely filings of franchise tax returns during the first half of calendar year 2024 (the second half of FY24). Revenue losses would accumulate in subsequent fiscal years, until realizations of the repeal of the three taxes have been fully realized by FY28. A rough estimate of the FY24 effect is \$997 million loss of individual income tax plus \$79 million of corporate income tax plus \$74 million of corporate franchise tax, totaling some \$1,150 million. In FY25, roughly \$5.6 billion of individual income tax collections are lost plus \$368 million of corporate income tax plus \$158 million of corporate franchise tax, totalling approximately \$6.1 billion. **By FY26, the losses stabilize** to roughly the fiscal year projections reflected above, at \$4.6 billion for individual income tax, plus \$409 million for corporate income tax, plus \$175 million of corporate franchise tax, **totaling an approximate annual loss of \$5.2 billion.**

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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