



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 610** HLS 23RS 1071
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Individual Income Tax: Retirement Income Deduction		

TAX/INCOME-INDIV/EXEMPT OR -\$22,500,000 GF RV See Note Page 1 of 1
 Increases the tax-exempt amount of annual retirement income

Proposed law increases the individual income tax deduction for certain annual retirement income from a \$6,000 deduction to a \$10,000 deduction, for individuals age 65 and above.

Applicable to taxable years beginning on or after January 1, 2023.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$112,500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$112,500,000)

EXPENDITURE EXPLANATION

LDR is anticipated to incur minor costs in additional staff time to modify and test tax systems to accommodate the modified deduction.

REVENUE EXPLANATION

Proposed law increases the deduction for annual retirement income, defined in R.S. 47:44.1 as "pension and annuity income which is included in tax table income", from a deduction of up to \$6,000 to \$10,000, for individuals age 65 and older. LFO notes that income eligible for this deduction does not include wage or salary income, but income from individual retirement accounts is explicitly included in the existing deduction, per LAC 61:I.1311.

Initial tax return data reflecting the first year of impacts of the recent tax reforms is not available at the time of this analysis. This estimate is generated by simulating the effects of the 2021 reforms as a baseline, then simulating the tax table income liability changes due to the proposed expanded deduction for comparison. This method yields the change in total tax table income for the 65+ LA population, and is therefore adjusted to exclude the estimated share of labor income (wage and salary) from the deduction.

From the tax table income tax changes, the bill is estimated to result in an initial full-year impact of a \$22.5 million reduction in state general fund, growing annually as the 65+ component of the LA population is anticipated to continue growing.

LFO assumes that virtually all of the liability change will be realized via payments and estimated payments, and not materially affecting withholdings. In a typical situation, Tax Year 2023 (TY23) impact would be realized partially in FY23, and partially in FY24. Impacts would be staggered such that approximately one-fourth of the TY23 impact would be realized in FY23. In FY24, the remaining three-fourths of TY23, plus one-fourth of the TY24 impact would be realized, and so on.

However, proposed law is applicable to the current taxable year, and if the bill were enacted, it would not be effective until early FY24. LFO thus assumes payments and estimated payments would be such that the tax year and fiscal year effects would be synchronized. The full-year effect of approximately \$22.5 million would be realized in FY24 and subsequent years.

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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