NOTICE OF INTENT

Department of Revenue
Tax Policy and Planning Division

Annual Retirement Income Exemption for Individuals 65 or Older
(LAC 61:I.1311)

Under the authority of R.S. 47:44.1, 295, and 1511 and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the Department of Revenue, Tax Policy and Planning Division, proposes to amend LAC 61:I.1311 to reflect statutory changes which increase the amount of the exemption for annual retirement income for individuals aged 65 or older.

The purpose of this proposed Rule is to implement the provisions of Act 11 of the 2024 Third Extraordinary Session, which amended R.S. 47:44.1 to increase the annual retirement exemption for individuals 65 years of age or older from $6,000 to $12,000 per individual for taxable periods beginning on or after January 1, 2025. Act 11 further provides that the $12,000 exemption amount be adjusted annually for inflation. The adjusted amount applicable to each taxable year, beginning with tax year 2026, will be posted and available on the Department's website at the beginning of each calendar year.

This proposed Rule is written utilizing plain language principles to ensure clarity and accessibility for all users. It has also been reviewed and tested for compliance with web accessibility standards.

Title 61
REVENUE AND TAXATION
Part I. Taxes Collected and Administered by the Secretary of Revenue
Chapter 13. Income: Individual
§1311. Annual Retirement Income Exemption for Individuals 65 or Older

A. For taxable periods beginning on or after January 1, 2025, R.S. 47:44.1 provides an exemption of up to $12,000, as adjusted annually for inflation in accordance with R.S. 47:44.1, for annual retirement income received by an individual who is 65 years of age or older. Only the individual who received the annual retirement income is entitled to the exemption.

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B.-B.4.b. …

C. Examples

1. Mary and John are married and file a joint federal and Louisiana income tax return. Both are age 65 or older. Mary worked for X Corporation for many years and retired in 2020. In 2025, she received $30,000 in pension payments from the X Corporation's retirement plan. John's only source of retirement income is federal Social Security, which is not included in the couple's tax table income because it is already exempt under Louisiana law. Because only Mary receives annual retirement income, Mary and John may only exempt $12,000 of Mary's retirement income from their 2025 income taxes under this exemption. Because John is not the plan participant, he has not received any annual retirement income for purposes of the exemption.

2. Scott and Ellen are married and file a joint federal and Louisiana income tax return. Both are age 65 or older. Because they each meet the age requirement, each spouse may exclude up to $12,324 (the inflation-adjusted amount for tax year 2026) of their own retirement income. Scott worked for ABC Corporation for many years and retired in 2025 at age 65. In 2026, he received $30,000 in pension payments from ABC's retirement plan. Scott may exclude up to $12,324 of this pension income. Ellen receives two types of income: Social Security benefits and an annuity. Her Social Security benefits are fully exempt under Louisiana law and are not included in this calculation. She also receives $4,000 per year from an annuity. Because this is her only taxable retirement income, she may exclude the full $4,000. In total, Scott and Ellen may exclude $16,324 of retirement income on their 2026 Louisiana return.

3. Alan and Leslie are a married couple who do not live apart. Their filing status for federal and state income tax is married filing separate. Both are age 65 or older. Because they each meet the age requirement, each of them is entitled to exempt up to $12,324 (the inflation adjusted amount for tax year 2026) of the annual retirement income each receives on their married filing separate returns. Alan receives $10,000 of annual retirement income from an annuity. Leslie is not yet retired and receives a salary, but no annual retirement income. Alan's annuity income and Leslie's salary are community property. Because Louisiana is a community property state and the couple has chosen not to file a joint return, Leslie must report one half of Alan's annuity income, or $5,000,

on her married filing separate federal and state income tax returns. Because Leslie is not named on the annuity, she has not received annual retirement income for purposes of the exemption and cannot claim any exemption amount on her return. Because Alan is only reporting $5,000 of his annuity income on his federal and state income tax returns, he is only entitled to an exemption of $5,000.

4. Assume the same facts as in Example 3, except that Alan and Leslie have a separation of property agreement. As such, each spouse will report his or her own items of income and loss on his or her own married filing separate return. Alan will report the entire amount of his annuity income and will be entitled to exempt the full amount of $10,000 of annual retirement income he receives.

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:44.1, 295, 1511.

HISTORICAL NOTE: Promulgated by the Department of Revenue, LR 32:259 (February 2006); amended by Department of Revenue, Tax Policy and Planning Division, 52:

Family Impact Statement

The proposed amendments should not have any known or foreseeable impact on any family as defined by La. R.S. 49:972(D) or on family formation, stability, and autonomy. Specifically, the implementation of this proposed Rule will have no known or foreseeable effect on the following:

1. The stability of the family
2. The authority and rights of parents regarding the education and supervision of their children
3. The functioning of the family
4. Family earnings and family budget
5. The behavior and personal responsibility of children
6. The ability of the family or a local government to perform this function

Poverty Statement

The proposed amendments will have no impact on poverty as described in La. R.S. 49:973.

Small Business Analysis

The proposed amendments are not anticipated to have a significant adverse impact on small businesses as defined in the Regulatory Flexibility Act. The agency, consistent with health, safety, environmental, and economic factors has considered and, where possible, utilized regulatory methods in drafting these proposed amendments to accomplish the objectives of applicable statutes while minimizing any anticipated adverse impact on small businesses.

Provider Impact Statement

The proposed amendments will have no known or foreseeable effect on the following:

1. The staffing levels requirements or qualifications required to provide the same level of service
2. The total direct and indirect effect on the cost to the provider to provide the same level of service
3. The overall effect on the ability of the provider to provide the same level of service

Public Comments

Any interested person may submit written data, views, arguments, or comments regarding these proposed amendments to Morgan Newton, Attorney, Tax Policy and Planning Division, Office of Legal Affairs by mail to P.O. Box 44098, Baton Rouge, LA 70804-4098. All comments must be received no later than 4:30 p.m., July 27, 2026.

Public Hearing

Interested persons may submit a written request for a public hearing no later than July 10, 2026, at 4:30 p.m. Requests may be submitted either by mail, addressed to Morgan Newton, Attorney, Tax Policy and Planning Division, Office of Legal Affairs, P.O. Box 44098, Baton Rouge, LA 70804-4098, or via email to morgan.newton@la.gov referencing Annual Retirement Income Exemption. If the criteria set forth in R.S. 49:961(B)(1) are satisfied, a public hearing will be held on July 28, 2026, at 10:00 a.m. in the River Room, located on the seventh floor of the LaSalle Building, 617 North Third Street, Baton Rouge, La 70802, for all interested persons to attend and submit oral or written comments. To confirm whether or not the public hearing will be held, please visit the Department's website at https://revenue.louisiana.gov/tax-policy/rules-regulations. Under "Types," select "Nonemergency Rulemaking."

In accordance with the Americans with Disabilities Act, should individuals with a disability need an accommodation to participate, contact Morgan Newton at the address given above in the Public Comments section by email at LDRadarequests@la.gov or by phone at (225) 219-2780.

Jarrod J. Coniglio
Secretary

FISCAL AND ECONOMIC IMPACT STATEMENT

FOR ADMINISTRATIVE RULES

RULE TITLE: Annual Retirement Exemption for Individuals 65 or Older

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

The proposed rule is not anticipated to result in any direct implementation costs or savings to state or local governmental units. The Department of Revenue (LDR) may incur minimal workload increases associated with updating tax forms, instructions, and related website information, but these duties are consistent with existing department functions and are anticipated to be absorbed within LDR's current budget allocation.

The proposed regulation amends LAC 61: I.1311 to update tax rules to reflect a new law that increases the amount of exemption for annual retirement income for individuals aged 65 or older. Beginning January 1, 2025, eligible taxpayers can exclude up to $12,000 of retirement income per person, up from $6,000. This amount will be adjusted for inflation with the updated amount published each year on the Department's website. For tax year 2026, this amount is $12,324 after being adjusted for inflation.

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

The proposed rule is anticipated to decrease SGF and SGR within LDR associated with individual income collections beginning in FY 26, since additional retirement income will be exempt from state individual income taxation for individuals aged 65 or older. The revenue loss associated with increasing the retirement income exemption from $6,000 to $12,000, including subsequent CPI adjustments, was incorporated into the broader estimated $5.6 billion reduction in revenue collections over five fiscal years attributable to multiple individual income tax provisions as reported in the fiscal note for Act 11 of the 2024 Third Extraordinary Session.

No direct change in local tax revenue is expected as local governments do not levy income taxes.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NON-GOVERNMENTAL GROUPS (Summary)

The proposed rule change will provide direct economic benefits to individuals 65 or older by reducing their taxable income, resulting in less tax liability. However, the impact on receipts and/or income of affected people will be dependent upon the taxpayer's individual circumstances. The retirement exemption is expected to increase in subsequent years as the exemption is adjusted annually for inflation, potentially further reducing certain taxpayers' liability. No direct costs to individuals, small businesses, or non-governmental groups are expected to be incurred.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

No material impact on competition and employment is anticipated due to this proposed amendment.

Brandea Averett
Deputy Secretary

Alan M. Boxberger
Legislative Fiscal Officer