



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 491** HLS 23RS 885
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 3, 2023 12:14 PM **Author:** MARCELLE
Dept./Agy.: Revenue **Analyst:** Benjamin Vincent
Subject: Personal Income & Corp Franchise Tax Trigger Repeal

TAX/STATE OR SEE FISC NOTE GF RV Page 1 of 1

Repeals the automatic reduction in individual income tax rates and the corporation franchise tax rate if certain revenue thresholds are met

Current law provides automatic tax rate cuts for Corporate Franchise (CFT) and Individual Income (IIT) tax, in the event that certain collections exceed a certain benchmark, and that the Budget Stabilization Fund balance exceeds a certain threshold.

Proposed law repeals the automatic rate cut provisions.

Effective upon governor's signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$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	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. As noted in the Revenue section, no rate cuts due to current law are currently projected. Under proposed law, the Department of Revenue avoids any possibility of incurring any costs related to potential future tax rate reductions that may occur under the current-law triggers.

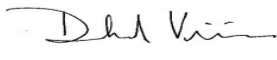
REVENUE EXPLANATION

Proposed law repeals conditional IIT and CFT rate cuts in current law. Tax rate assumptions incorporated into REC projections cannot be affected by proposed law, as current projections do not incorporate any such rate cuts. No impact to revenue collections is anticipated due to proposed law.

LFO notes that in a scenario where the assessment of trigger conditions in April 2024 result in reduced tax rates for taxable year 2025, new withholding tables would be in effect as of January 2025, reducing state general fund (or the Revenue Stabilization Fund, depending on the amount of Corporate Income and CFT combined) collections in FY25. In such a scenario, proposed law would increase revenues in FY25 and beyond.

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}



Deborah Vivien
Chief Economist