

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 32** HLS 161ES 114
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 24, 2016 10:06 AM	Author: LEGER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Individual Income Tax Rates	

TAX/INCOME TAX EG SEE FISC NOTE GF RV See Note Page 1 of 1
 Reduces the rates for purposes of calculating the tax on the taxable income of individuals (Items #3 and 19)

Current law establishes income tax rates and brackets of taxable income of individual tax filers as follows: 2% on the first \$12,500, 4% on the next \$37,500 (bracket up to \$50,000), and 6% on net income above \$50,000. Bracket ranges are doubled for joint filers.

Proposed law reduces the tax rates on the existing brackets to 1.5% on the first \$12,500, 3.5 % on the next \$37,500 (bracket up to \$50,000), and 5.5% on net income above \$50,000. Bracket ranges are doubled for joint filers.

Contingent upon adoption of a constitutional amendment contained in another bill of this session, but not yet specified in this bill's text. Effective for all tax years beginning on and after January 1, 2017.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The Department of Revenue will incur costs associated with preparing tax forms (hardcopy and online) for this change, as well as changes in tax instructions. Immediate costs will involve adjusting withholding tables and distributing those new tables to tax remitters as well as handle tax remitter inquiries and education. These costs are typically estimated as several thousands or even tens of thousands of dollars of staff time.

REVENUE EXPLANATION

Based on a micro-simulation model of the state personal income tax, processing 2014 tax return data, the tax rate reductions in this bill by itself would decrease aggregate income tax liabilities by some \$155.6 million. This estimate is based on all resident filers. Non-resident filers would also be affected, and their omission from the model works to understate the estimate somewhat. Non-residents tend to make up 5% - 6% of total tax-year liabilities.

Since changes to tax rates affect all tax filers the Department of Revenue would likely adjust withholding tables to implement the bill and decreased withholdings would begin being realized in the second half of FY17. However, the bill is contingent upon a constitutional amendment not yet specified in the bill text, and material changes to these results could occur. For example, should this bill's rate changes be combined with an elimination of the deduction for federal income taxes paid, aggregate liabilities would be some \$35 million higher; a result approaching aggregate revenue neutrality for this type of analysis.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer