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FISCAL IMPACT REPORT

SPONSOR: Carraro DATE TYPED: 02/15/01 HB _____
 SHORT TITLE: Reduce Income Tax Rates SB 43
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (73,200.0)	\$ (73,200.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department

SUMMARY

Synopsis of Bill

This bill is a personal income tax reduction package. The provisions of the bill would be applicable for tax years beginning 2001.

The bill creates a zero bracket amount of \$6,000 for married filing joint returns as well as for other taxpayer filing categories. Zero bracket proposals typically impact lower income tax payers, while reducing general fund revenue on a recurring basis. TRD estimates approximately 66,000 returns would be dropped from liability from this tax package.

Tax rates would then be adjusted, with a decrease in the top personal income tax rate to 7.9 percent from the current 8.2%. Rate cut proposals also reduce general fund revenue on a recurring basis. The bill changes tax rates as follows:

Current: 1.7%, 3.2%, 4.7%, 6.0%, 7.1%, 7.9%, 8.2%

Proposed: 2.0%, 3.0%, 4.5%, 6.0%, 7.0%, 7.9%

Tables provided from the TRD fiscal impact report are attached to provide a basis for comparing current and proposed income brackets and tax rates.

FISCAL IMPLICATIONS

TRD has estimated that the bill would reduce general fund revenues by \$73,200.0 in FY02 and \$73,200.0 in FY03.

ADMINISTRATIVE IMPLICATIONS

TRD reports it can absorb the proposed change within existing resources.

DISTRIBUTION OF TAX REDUCTIONS

The TRD FIR provides information as to the distributional changes implied by the proposed tax cuts. The overall reductions by income groups, tax relief by group, share of taxpayers in each group and each group's share of tax relief are summarized in the attached table.

AW/ar