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FISCAL IMPACT REPORT

SPONSOR:	Thompson	DATE TYPED:	01/28/00	HB	59
SHORT TITLE:	Personal Income Tax Reduction			SB	
			ANALYST:	Williams	

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	\$ (14,900.0)	\$ (34,200.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARYSynopsis of Bill

This personal income tax cut package would provide tax relief which is fully phased in after three years, with inflation indexing continuing into the future. Beginning in tax year 2000, a "zero bracket" for lower income taxpayers is created which over three years would impact an estimated 98,000 taxpayers. In its first year, the proposed rate schedules exempt the first \$1,100 to \$2,200 of taxable income from state income taxes, depending on filing status. In addition, the bill would reduce most marginal rates. According to TRD, the proposal makes a significant reduction in the "marriage tax penalty" for higher income, married taxpayers. Ultimately the current seven bracket income tax rate tables would become six brackets. Tables provided from the Taxation and Revenue fiscal impact report are attached to provide a basis for comparing current and proposed income brackets and tax rates.

FISCAL IMPLICATIONS

Total recurring General Fund loss is estimated by TRD at \$14,900.0 in FY01, \$34,200.0 in FY02 and grows to \$84,400.0 in FY04. Indexing is estimated to reduce recurring General Fund revenues by \$2,000.0 to \$4,000.0 per point of inflation.

ADMINISTRATIVE IMPLICATIONS

TRD reports it can absorb the proposed changes 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 reduction by income groups, tax relief by group, share of taxpayers in each group and each group's share of tax relief for tax year 2000 and tax year 2003 are shown in the attached table.

AW/njw

Attachment