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FISCAL IMPACT REPORT

SPONSOR:	Russell	DATE TYPED:	05-10-99	HB	8
SHORT TITLE:	Reduce Income Tax Rates			SB	
				ANALYST:	Taylor

REVENUE

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY99	FY2000	FY2001		
\$ 0.0	\$ (24,800.0)	\$ (24,200.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates Senate Bill 11

SOURCES OF INFORMATION

Taxation and Revenue Department

SUMMARYSynopsis of Bill

House Bill 8 would reduce income tax rates for tax years beginning after January 1, 2000. The proposed rate schedules exempt the first \$1,000 to \$2,000 of taxable income, depending upon the type of return. Specifically, for taxpayers filing single or married separate returns, the first \$1,000 of taxable income would be exempt from state income taxes; for married joint filers, the first \$2,000 of taxable income; and for head of household filers, the first \$1,500. In addition, the bill would reduce most marginal tax rates. 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

TRD has estimated that the proposed changes would decrease general fund revenues by \$24.8 million in FY 2000, and by \$25.5 million on a tax year basis. The fiscal impact estimate assumes an average reduction of \$46 for 549 thousand taxpayers. TRD's estimate of the distribution of tax relief by income class is shown below.

ADMINISTRATIVE IMPLICATIONS

TRD reports that 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 reductions by income groups, tax relief by group, share of taxpayers in each group and each groups share of tax relief is summarized in the following table.

Taxable Income	Tax Relief Per Taxpayer	Number of Taxpayers	Total Tax Relief	Percent of Taxpayers	Percent of Reduction
\$0 to \$15,000	\$13	245,109	\$3.2 million	45 percent	13 percent
\$15,000 to \$25,000	\$23	92,243	\$2.1 million	17 percent	8 percent
\$25,000 to \$40,000	\$40	89,399	\$3.6 million	16 percent	14 percent
\$40,000 to \$75,000	\$77	83,216	\$6.4 million	15 percent	25 percent
More than \$75,000	\$257	39,556	\$10.2 million	7 percent	40 percent
Overall Average	\$ 47	549,533	\$25.3 million	100 percent	100 percent

BT/gm

Attachment