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FISCAL IMPACT REPORT

SPONSOR: Cisneros DATE TYPED: 02/15/01 HB _____
 SHORT TITLE: Adjust Income Tax SB 213
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (42,800.0)	\$ (42,500.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department

SUMMARY

Synopsis of Bill

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

The bill authorizes an expansion of the low income comprehensive tax rebate. This component of the bill is an increase of 20 percent in every cell of the LICTR table.

The bill creates a zero bracket amount at \$3,200 for married filing joint 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 49,000 returns would be dropped from liability from this tax package.

The bill would reduce the top tax rate from 8.2% to 7.9% and broaden brackets. These approaches also reduce general fund revenue on a recurring basis.

Tables provided from the Taxation and Revenue Department 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 \$42,800.0 million in FY02 and by \$42,500.0 in FY03. TRD's estimate of the distribution of tax relief by income class is shown on the attached table.

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 group's share of tax relief are summarized in the attached table.

AW/ar