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FISCAL IMPACT REPORT

SPONSOR: Burpo DATE TYPED: 02/17/01 HB 235
 SHORT TITLE: Reduce Income Tax Rates SB _____
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (72,500.0)	\$ (72,100.0)	Recurring	General Fund

*Agency analysis not received.

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department

SUMMARY

Synopsis of Bill

The bill authorizes a reduction in personal income taxes and is consistent with the proposal endorsed by the Governor. The attached table summarizes the package.

The bill creates a zero bracket amount which would result in qualifying taxpayers avoiding filing. Zero bracket proposals typically impact lower income tax payers, while reducing general fund revenue on a recurring basis. TRD estimates 65,000 returns would be dropped from liability from this tax package.

Tax rates would then be adjusted as follows: 2.0%, 3.0%, 4.5%, 6.0%, 7.1% and 7.7%, compared to the current: 1.7%, 3.2%, 4.7%, 6.0%, 7.1%, 7.9% and 8.2%. Note that the top rate drops by 0.5%. Rate cut proposals also reduce general fund revenue on a recurring basis.

A proposed bracket change just tracks current law, after updating for the proposed rate changes. TRD notes the proposal is designed to try to reduce marriage tax penalty impacts. The bill is applicable beginning tax year 2001.

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 \$72,500.0 million in FY02 and by \$72.1 million 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