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FISCAL IMPACT REPORT



SPONSOR: Burpo DATE TYPED: 01/24/02 HB 166

SHORT TITLE: Reduce Personal Income Taxes SB _____

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$31,980.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This measure would reduce New Mexico personal income tax rates in a way that would provide tax decreases averaging 3 percent for New Mexico taxpayers. Threshold amounts for tax rate brackets would not be modified

FISCAL IMPLICATIONS

The estimate shown overstates the decrease in General Fund revenue by approximately 5% due to the "state deduction recovery". Because state taxes are deductible from federal taxable income for taxpayers who itemize deductions, and state taxes "piggyback" on the federal income measure, state taxes are effectively deductible from their own tax base. In this case, when state tax liability is reduced, the amount deducted from taxable income is reduced, with the result that liabilities increase slightly, thus offsetting a portion of the initial reduction.

OTHER SUBSTANTIVE ISSUES

TRD makes the following comments:

The proposed measure would provide the largest absolute reduction in taxes to individuals with taxable incomes in excess of \$75,000 annually. However, the greatest percentage reduction in taxes would accrue to individuals with taxable incomes below \$15,000. The total reduction in taxes per return would be approximately \$54. The personal income tax currently generates approximately \$1 billion annually. Since the state's population is currently roughly 1.8 million, personal income tax obligations average roughly \$555 per person statewide. The proposed measure would reduce this figure by approximately \$16.70.

SS/ar