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FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 1/29/03 HB 26
 SHORT TITLE: Tax Rate Tables Indexing SB _____
 ANALYST: Smith

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|-----------|----------------------------|-------------------------|------------------|
| FY03 | FY04 | | | |
| | (7,800.0) | (16,200.0) | Recurring | General Fund |
| | | | | |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 26 eliminates income tax “bracket creep”. Beginning with tax year 2003, personal income tax rate schedules would be indexed for inflation as measured by the consumer price index (“CPI”). The indexing would be accomplished by multiplying the minimum and maximum income amounts for each tax bracket by a fraction, the numerator of which is the CPI for the current year and the denominator of which is the CPI for 2002. The resulting income amounts would be rounded down to the nearest \$100, except that that income amount would not be reduced if the result of the calculation were lower than the prior year’s amount. The Taxation and Revenue Department would make the necessary adjustment to the tax due amounts to reflect the new tax bracket amounts.

OTHER SUBSTANTIVE ISSUES

Due to bracket creep, annual personal income tax revenues increased by over \$500 million during the last ten years -- an increase of over 100 percent. Total personal income received by New Mexico residents increased by about 63 percent during the same period.