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FISCAL IMPACT REPORT

SPONSOR: HTRC DATE TYPED: 3-12-99 HB 486/HTRCS
 SHORT TITLE: Income Tax Deduction for Capital Gains SB _____
 ANALYST: Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY99	FY2000			
\$ 0.0	\$ (6,600.0)	\$ (6,800.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The House Taxation and Revenue Committee substitute for House Bill 486 would decrease personal income taxes by allowing taxpayers filing single, head of household or married joint returns to deduct net capital gains from net income subject to personal income taxes up to a maximum of one thousand dollars (\$1,000). The definition of capital gain is the same as that used in the Internal Revenue Code. Married persons filing separate returns would be allowed to deduct five hundred dollars (\$500). A taxpayer who has claimed a credit per the venture capital investment act is prohibited from also claiming the capital gain deductions provided in this bill.

The provisions of the bill would apply to taxable years beginning on after January 1, 1999.

FISCAL IMPLICATIONS

According to the Taxation and Revenue Department the \$1,000 capital gains deduction would reduce FY2000 general fund revenues by \$6.6 million and by \$6.8 million on a full year basis. The capital gains impact is based on the assumption that 115,648 taxpayers would benefit from the deduction, and the average reduction would be \$59. The impact in the first year is assumed to be about 97 percent of the full year impact based upon historical experience with other income tax changes.

ADMINISTRATIVE IMPLICATIONS

TRD reports that the proposed changes can be absorbed with existing resources.

BT/gm

