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FISCAL IMPACT REPORT

SPONSOR: Altamirano DATE TYPED: 2/10/03 HB _____

SHORT TITLE: Reduce Top Income Tax Rate SB 226

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(17,110.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Conflicts with SB 167 and HB167.

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

This measure would reduce New Mexico's highest personal income tax rates from their current maximum of 8.2 percent to 7.7%. The table below specifies the exact rate cuts.

Current and Proposed Personal Income Tax Rates

Current Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.9	64,001	100,000	42,001	65,000	32,001	50,000	53,001	83,000
8.2	101,000	& above	65,001	& above	50,001	& above	83,001	& above

Proposed Tax Year 2003 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
	1.7	0	8,000	0	5,500	0	4,000	0
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.7	64,001	& above	42,001	& above	32,001	& above	53,001	& above

CONFLICT

This is the first year of the income tax cut proposed by the Executive and found in SB167 and HB167. Therefore, it is technically in conflict with the out-year provisions of these measures.

OTHER SUBSTANTIVE ISSUES

- TRD has noted in other bills that state income tax payments are deductible for purposes of calculating federal income tax. Thus, because this proposal would reduce state income tax liabilities, it would also reduce these deductions. This reduces the net benefits of the tax reduction for the taxpayer. For example, if a taxpayer is in the 30% tax bracket, the net benefit to the taxpayer of the state tax reduction would be reduced by 30%.
- Many tax experts actually admire New Mexico’s tax system. A recent Governing article ranked the states tax system in the top four for adequacy of revenues and in the top ten for fairness to taxpayers. However, New Mexico ranked in the near the bottom for management of the tax system.

SS/prr