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FISCAL IMPACT REPORT

SPONSOR Anderson ORIGINAL DATE 1/30/06
LAST UPDATED _____ HB 637
SHORT TITLE FIVE-YEAR INCOME TAX SUSPENSION SB _____
ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(\$527,500.0)	(\$1,060,000.0)	(\$1,067,500.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Consensus Group Estimate

No Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 637 would eliminate the personal income tax for five years or until 2011 and refund all withholding collected so far for tax year 2006. The effective date is upon signing.

FISCAL IMPLICATIONS

Consensus revenue estimates for the personal income tax are approximately \$1 billion per year. This is approximately 20 percent of all revenues distributed to the general fund. It is assumed that tax years fall evenly over fiscal years.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Expenditures would have to be drastically scaled back or reserves used. Current reserve estimates show that only one year of lost personal income tax revenue would use up all available reserves.

NF/mt