

FISCAL NOTE

Bill #: HB8

Title: Phased 20% reduction in income taxes

Primary Sponsor: Rick Jore

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:			
General Fund	\$12,000	\$12,000	\$12,000
Revenue:			
General Fund	(\$48,859,000)	(\$67,032,000)	(\$98,450,000)
Net Impact on General Fund Balance:	(\$48,871,000)	(\$67,044,000)	(\$98,462,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. This bill is effective on passage and approval, and applies to tax years beginning after December 31, 1999.
2. Under this proposal, tax liability, as calculated from the tax rate table on individual income tax forms, would be reduced by 95% for calendar year 2000 returns; by 90% for calendar year 2001 returns; by 85% for calendar year 2002 returns; and by 80% for returns filed in calendar year 2003 and thereafter.
3. Calendar year liability under current law is \$521.44 million in CY2000; \$542.55 million in CY2001; \$564.51 million in CY2002; and \$587.36 million in CY2003.
4. Calendar year liability under proposed law is \$495.37 million in CY2000; \$488.29 million in CY2001; \$479.83 million in CY2002; and \$469.88 million in CY2003.
5. Assumptions 3 and 4 result in decreases in calendar year liability of \$26.07 million for CY2000; \$54.26 million for CY2001; \$84.68 for CY2002; and \$117.47 for CY2003.

(continued)

6. There is no impact in fiscal year 2000 under this proposal.
7. The Department of Revenue will adjust withholding tables to accommodate the proposed changes in liability on January 1, 2001; on January 1, 2002; and on January 1, 2003.
8. All of the CY2000 decrease in liability is reflected in decreases in tax collections in fiscal 2001. In addition 58% of the decrease in CY2001 liability is reflected in decreases in fiscal 2002 collections; and 42% of the decrease in CY2001 collections is reflected in decreases in fiscal 2001 collections.
9. 58% of the decrease in CY2002 liability is reflected in decreases in fiscal 2003 collections; and 42% of the decrease in CY2002 collections is reflected in decreases in fiscal 2002 collections.
10. 58% of the decrease in CY2003 liability is reflected in decreases in fiscal 2004 collections; and 42% of the decrease in CY2003 collections is reflected in decreases in fiscal 2003 collections.
11. The fiscal impact under the above assumptions is a reduction in general fund collections of \$48.859 million in fiscal 2001, \$67.032 million in fiscal 2002; and a reduction of \$98.450 million in fiscal 2003.

Administrative Impacts:

12. This proposal requires the annual re-programming of the individual income system. Costs associated with this re-programming as estimated to be \$12,000 per year.

FISCAL IMPACT:

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Expenditures:</u>			
Operating Expenses	\$12,000	\$12,000	\$12,000
<u>Funding:</u>			
General Fund (01)	\$12,000	\$12,000	\$12,000
<u>Revenues:</u>			
General Fund (01)	(\$48,859,000)	(\$67,032,000)	(\$98,450,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	(\$48,871,000)	(\$67,044,000)	(\$98,462,000)

LONG-RANGE IMPACTS:

This proposal will continue to reduce individual income tax collections in future years. A rough estimate of the impact in fiscal 2004 is a reduction of general fund revenue of \$119.5 million. These impacts will grow in subsequent years.