



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

<b>Bill #</b>	SB0159	<b>Title:</b>	Personal Income Tax Relief Act
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<b>Primary Sponsor:</b>	Hertz, Greg	<b>Status:</b>	As Introduced
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- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$5,361,000)	(\$28,139,000)	(\$30,040,000)	(\$31,778,000)
<b>Net Impact-General Fund Balance:</b>	<u>(\$5,361,000)</u>	<u>(\$28,139,000)</u>	<u>(\$30,040,000)</u>	<u>(\$31,778,000)</u>

**Description of fiscal impact:** SB 159 changes the top individual income tax rate from 6.9% to 6.75% starting in tax year 2022. This would reduce general fund revenue in FY 2022 by \$5.361 million, \$28.1 million in FY 2023, and rising to \$31.778 million by FY 2025.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue**

- Under current law, Montana's top marginal tax rate is currently 6.9%. In tax year (TY) 2020 it is applied to all taxable income above \$18,700.
- The proposed bill changes the top tax rate from 6.9% to 6.75%, first applying to TY 2022 income.
- The income tax model was modified to include the changes proposed by SB 159. The estimated income tax liability under the proposal was then compared to current law income and tax liability forecasts.
- Reducing the top marginal tax rate from 6.9% to 6.75% in TY 2022 would reduce income tax liability of full-year resident taxpayers as follows:

Tax Liability Estimates Under Current Law and SB 159			
Tax Year	Tax Liability (\$Millions)		
	Current Law	SB 159	Change in Revenue
2022	\$1,395.682	\$1,370.512	(\$25.171)
2023	\$1,454.546	\$1,428.258	(\$26.288)
2024	\$1,521.477	\$1,493.854	(\$27.624)
2025	\$1,598.520	\$1,569.375	(\$29.145)

- With large changes in tax liability, it is assumed that some of the taxpayers will change their withholding and estimated payments. The estimates used in HJ 2 assume that 80% of TY 2022 liability and 20% of TY 2023 tax liability affect FY 2023 collections. This share distribution applies to future fiscal impacts.
- The tax liability from the model was also adjusted with HJ 2 assumptions for partial year resident taxpayers, audits, and income tax credits. Based on the adjustments the bill would reduce income tax revenue as follows:

Change in Fiscal Year Revenue– SB 159 (Million \$)	
Fiscal Year	Change in Revenue
2022	(\$5.361)
2023	(\$28.139)
2024	(\$30.040)
2025	(\$31.778)

- The changes made by the proposed bill can be made as part of the department’s annual change process. The department does not expect to incur any significant additional costs because of this bill.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b>Department of Revenue</b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$5,361,000)	(\$28,139,000)	(\$30,040,000)	(\$31,778,000)
<b>TOTAL Revenues</b>	<u>(\$5,361,000)</u>	<u>(\$28,139,000)</u>	<u>(\$30,040,000)</u>	<u>(\$31,778,000)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$5,361,000)	(\$28,139,000)	(\$30,040,000)	(\$31,778,000)

NO SPONSOR SIGNATURE

\_\_\_\_\_      2/3/21      \_\_\_\_\_      2/1/21  
*Sponsor's Initials*      *Date*      *Budget Director's Initials*      *Date*