



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

SPONSOR'S REBUTTAL TO FISCAL NOTE

House Bill Number: 911 Date Prepared: 4/2/23

Short Title: Generally revise individual income tax laws.

Sponsor: Rep. Karter

Generally, why do you disagree with the fiscal note?

See attached / back.

Specifically, what in the fiscal note do you feel is flawed?

(Describe specific assumptions, calculations, technical issues, etc.)

What is your estimate of the fiscal impact?

Sponsor Signature:

[Handwritten signature]

HB 911 (J.Karlen) Fiscal Note Rebuttal

The Fiscal Note for House Bill 911 is not accurate and needs to be reanalyzed:

- Assumption 19 and the technical note are false. The fiscal note fails to address that capital gains income greater than \$400,000/\$300,000/\$200,000 is included in taxable income subject to tax under the rates under Section 11, Subsection 1 of the bill. The fiscal note misreads Section 11, Subsection 2 of the bill as extending the 4.1% capital gains rate to incomes above \$400,000/\$300,000/\$200,000. During the bill drafting process, staff confirmed that capital gains income in an amount greater than \$400,000/\$300,000/\$200,000 would default to being taxed at the new rates defined in Section 11, Subsection 1.
- The fiscal note is based on revenue estimates and tax rates that have been repealed and replaced by SB 121 signed into law by Gov. Gianforte on March 13, 2023. HB 911 builds upon the law enacted by SB 121.
 - The cost of increasing the earned income tax credit in HB 911 would be reduced by approximately \$11,000,000 because SB 121 increased the earned income tax credit from 3% to 10%.
 - At amounts less than \$400,000/\$300,000/\$200,000, the income and capital tax gains tax rates in HB 911 match law enacted by HB 121, mitigating any actual fiscal impact of reducing tax rates in those income brackets. The higher income tax rates established by HB 911 combined with correcting assumption 19 of the fiscal note and taxing capital gains greater than \$400,000/\$300,000/\$200,000 at the same rate as wages will approximately offset the cost of the child tax credit, property tax circuit breaker, and increasing the earned income tax credit.
- The original fiscal note is fundamentally flawed because it is based on a misreading of the HB 911 capital gains tax provision and an outdated methodology that fails to reflect recent tax changes already enacted into law. A new, corrected fiscal note should be developed to create an accurate public record of HB 911. That note, properly done, should reflect an outcome that comes near to achieving fiscal balance.