



**LEGISLATIVE FISCAL OFFICE**  
Fiscal Note

Fiscal Note On: **HB 36** HLS 02- 207  
 Bill Text Version: **ORIGINAL**  
 Opp Chamb Action:  
 Sub Bill For:  
 Proposed Amd:

<b>Date:</b> May 12, 2002 3:29 PM	<b>Author:</b> STELLY
<b>Dept/Agy:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Individual Income Tax - Narrow Brackets, Repeal Excess Itemized	

TAX/INCOME TAX OR +\$210,000,000 GF RV See Note Page 1 of 1

Revises the state individual income tax brackets and repeals the deduction for excess federal itemized deductions

Current law imposes the individual income tax on joint returns as follows: 2% of the first \$20,000, 4% of income from \$20,000 to \$100,000, and 6% of income over \$100,000. For single returns the bracket thresholds are one-half these values. A deduction for excess federal itemized deductions is allowed.

Proposed law would impose the individual income tax on joint returns as follows: 2% of the first \$25,000, 4% of income from \$25,000 to \$50,000, and 6% of income over \$50,000. For single returns the bracket thresholds are one-half these values. The deduction for excess federal itemized deductions is repealed.

Effective for all tax periods beginning after December 31, 2002, if the Constitution is amended as proposed in HB 31 of this session. That bill allows the changes proposed by this bill and prohibits state taxation of food and residential utilities.

<b>EXPENDITURES</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>5 YEAR TOTAL</b>
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>5 YEAR TOTAL</b>
State General Fd.	\$50,000,000	\$210,000,000	\$225,000,000	\$242,000,000	\$260,000,000	\$987,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$50,000,000</b>	<b>\$210,000,000</b>	<b>\$225,000,000</b>	<b>\$242,000,000</b>	<b>\$260,000,000</b>	<b>\$987,000,000</b>

**EXPENDITURE EXPLANATION:**

The Department of Revenue estimates that it would incur approximately \$77,000 of costs associated with system reprogramming, testing, and form adjustment to incorporate the changes proposed by this bill into its processes.

**REVENUE EXPLANATION:**

This fiscal note takes the perspective that the current taxation of 50% of excess federal itemized deductions will be continued into the future indefinitely. From that perspective this bill will result in an increase of state income tax revenue as shown in the table above. Some revenue is raised in FY03 because it is expected that withholdings in the first half of the year will be adjusted by taxpayers as employers receive new withholding tables from the Department of Revenue.

However, should the current taxation of excess federal itemized deductions not be renewed, this bill would increase income tax collections by an additional \$90 million above what is shown in the table above. The renewal of that taxation has not been built into the official revenue forecasts of the state.

Dual Referral Rules

Senate

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

*H. Gordon Monk*

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**STAFF DIRECTOR**