



LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: May 30, 2002 7:13 AM
Author: STELLY
Dept/Agy: Revenue
Subject: Individual Income Tax - Narrow Brackets, Repeal Excess Itemized
Analyst: Greg Albrecht

TAX/INCOME TAX EG +\$50,000,000 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 The deduction for excess federal itemized deductions is repealed.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 limits and then prohibits state taxation of food and residential utilities.

Table with 7 columns: EXPENDITURES, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 5 YEAR TOTAL. Rows include State General Fd., Agy. Self-Gen., Stat. Deds./Other, Federal Funds, Local Funds, and Annual Total.

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 only taxes the remaining 50% balance of that deduction and results in the increase of state income tax revenue as shown in the table above.

This bill is effective only if the Constitution is amended as proposed in HB 31. That bill (HB 31) allows the income tax changes proposed by this bill (HB 36), and limits and then prohibits state sales taxation of food and residential utilities (in the absence of HB 31 those taxes are assumed to remain in effect into the future indefinitely).

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.

Senate Dual Referral Rules
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

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