



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 31** HLS 02- 49
 Bill Text Version: **ENGROSSED**
 Opp Chamb Action:
 Sub Bill For:
 Proposed Amd:

| | |
|--------------------------------------|-------------------------------|
| Date: May 30, 2002 7:09 AM | Author: STELLY |
| Dept/Agy: Revenue | |
| Subject: Sales and Income Tax | Analyst: Greg Albrecht |

TAX/TAXATION EG -\$64,000,000 GF RV See Note Page 1 of 1
 (Constitutional Amendment) Provides for a new limitation on individual income tax rates and prohibits the imposition of state sales and use taxes on certain items

Limits a statewide sales tax on food for home consumption, residential utilities (natural gas, electricity, water), and prescription drugs to 2%, effective January 1, 2003. Effective July 1, 2003 state sales tax of these transactions is prohibited.

Also prohibits the state individual and joint income tax schedule of rates and brackets from exceeding those in place on January 1, 2003.

To be submitted at the statewide election on November 5, 2002. Effective January 1, 2003.

| EXPENDITURES | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 5 YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|--------------|
| 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 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 5 YEAR TOTAL |
|---------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|--------------------------|
| State General Fd. | (\$64,000,000) | (\$260,000,000) | (\$264,000,000) | (\$269,000,000) | (\$274,000,000) | (\$1,131,000,000) |
| 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 |
| Annual Total | (\$64,000,000) | (\$260,000,000) | (\$264,000,000) | (\$269,000,000) | (\$274,000,000) | (\$1,131,000,000) |

EXPENDITURE EXPLANATION:

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION:

This fiscal note takes the perspective that the current 4% taxation of food and utilities will be continued into the future indefinitely. From that perspective this bill will result in a reduction of state sales tax revenue. Beginning with FY04 state revenue losses would be some \$260 million per year from prohibiting state taxation of food and residential utilities. Prohibiting state taxation of prescription drugs has no effect because the state does not tax those items.

This bill is connected to HB 36 that modifies the personal income tax brackets and eliminates the 50% balance of the deduction allowed for excess federal itemized deductions (also assumed to remain limited to only a 50% deduction into the future indefinitely). That bill results in a net increase in personal income tax collections of \$50 million in FY03. The net impact of the two bills together is a \$14 million revenue reduction in FY03.

However, should the current taxation of food and utilities not be continued beyond the current expiration date of June 30, 2002, this bill (HB 31) has no effect on state revenue collections. The expiration of that taxation has already 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

H. Gordon Monk
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