



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 356** HLS 17RS 403
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|---|---------|-------------------------------|
| Date: May 31, 2017 | 1:46 PM | Author: IVEY |
| Dept./Agy.: Revenue | | Analyst: Greg Albrecht |
| Subject: Individual Income Tax: Federal Income Tax Deduction/Rates | | |

TAX/CORP INCOME RE SEE FISC NOTE See Note Page 1 of 1
 (Constitutional Amendment) Provides for a flat rate for individual and business income taxes and eliminates the income tax deduction for federal income taxes paid for purposes of calculating corporate and individual income tax liability
Present constitution allows graduated taxes on net income, prohibits the individual income tax rates and brackets in statute from exceeding those on January 1, 2003, and requires that federal income taxes paid shall be allowed as a deductible item in computing state income taxes for both individuals and corporations.
Proposed constitutional amendment removes the allowance for graduated rates, the rate and bracket prohibition, and the requirement for a deduction of federal income taxes paid by corporations in computing state income tax. In addition, requires individual and corporate tax to be levied at flat rates as established in law.
 Applicable for all tax periods beginning on and after January 1, 2018.

To be submitted to the electors at the statewide election to be held on October 14, 2017, if House Bill 119 is enacted and HCR 4 is adopted.

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | SEE BELOW | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. If adopted by the electorate, the bill removes the rate and bracket prohibition and the requirement of a deduction for federal income taxes paid for corporate income tax. It requires a flat rate tax for individual and corporate taxation, but requires that rate to be established in statute. It does not itself change the rates and brackets from those currently provided in statute nor prohibit a federal tax deduction for corporations, also provided for in current statute. Should the current rate and bracket structures be changed and/or the federal tax deduction for corporations be removed from statute, the fiscal impact would be attributed to those measures, along with any other provisions such measures may contain.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer