

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4945S.01I
Bill No.: SB 1067
Subject: Taxation and Revenue - Income
Type: Original
Date: March 9, 2022

Bill Summary: This proposal reduces the net general revenue collection threshold for income tax rate reductions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

*Officials from the Department of Revenue already anticipate the income tax rate reductions (by 0.10%) will be triggered for tax years 2023 through 2028 (currently at 5.3% and eventually reduced to 4.8%) under the current \$150 million threshold (see page 3). Therefore, reducing the threshold to \$100 million will not result in additional (or quicker) income tax rate reductions. If net general collections are lower than anticipated, this proposal could trigger a 0.10% rate reduction earlier than what would have occurred under current statutes. DOR notes a 0.10% income tax rate reduction results in roughly a \$110 million income tax loss to the state.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 143.011

Officials from the **Office of Administration - Budget and Planning (B&P)** state this proposal would reduce the net general revenue growth required in order to trigger a 0.1% rate reduction from \$150 million to \$100 million. B&P notes that three reductions have already occurred under SB 509 (2014). There are four remaining reductions scheduled to occur under both SB 509 (2014) and SB 153 (2021). This proposal would not change the rate reductions, only the potential timing of when they may occur. Therefore, while this proposal could have a cash flow impact to GR, it will not impact TSR.

Officials from B&P state this proposal will not impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** state as of January 1, 2022, the individual income rate became 5.3%. SB 509 adopted in 2014 established a formula by which the individual income tax would slowly reduce from 6% to 5.5%. SB 509 allowed a reduction in the tax rate of 0.1% if the net general revenue collected in any of the three fiscal years prior to such fiscal year increased by at least \$150 million.

HB 2540 adopted in 2018 reduced the individual income tax 0.4% in a one-time reduction. Then SB 153 adopted in 2021 allowed two additional reductions under SB 509. Currently the following reductions have or are scheduled to occur.

TY 2018 it was 5.9% (0.1% reduction from SB 509)

TY 2019 it was 5.4% (0.1% reduction from SB 509 + .4% reduction from HB 2540)

TY 2020 it is 5.4% (no reductions)

TY 2021 it is 5.4% (no reductions)

TY 2022 will be 5.3% (0.1% reduction from SB 509)

TY 2023 will be 5.3% (no reductions)

TY 2024 will be 5.2% (0.1% reduction from SB 153)

TY 2025 will be 5.1% (0.1% reduction from SB 509)

TY 2026 will be 5.0% (0.1% reduction from SB 509)

TY 2027 will be 4.9% (0.1% reduction from SB 509)

TY 2028 will be 4.8% (final 0.1% reduction from SB 509)

FY 2029 will be 4.8% from here on out

DOR notes this proposal changes the SB 509 triggering formula. Currently \$150 million must be raised in order to trigger the reduction. This proposal lowers that amount to \$100 million. Based on the fiscal note three-year period and what is shown above, SB 509 is already estimated to

trigger each of the following years. Since the trigger would occur at the current \$150 million mark, it will trigger at the \$100 million mark. Therefore, this proposal will not have any additional fiscal impact.

Oversight notes officials from the DOR and B&P both assume the proposal will have no fiscal impact. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE			
<u>No Impact - §143.011 - Reduction of general revenue collection threshold p.3</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law provides for multiple reductions in the top rate of income tax in annual 0.1% increments, provided net general revenue collections exceed a certain threshold. This act reduces such net general revenue collection threshold from \$150 million to \$100 million.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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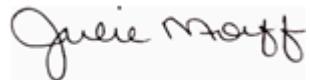
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SOURCES OF INFORMATION

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