

### Fiscal Estimate - 2007 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>07-1594/1</b>	<b>Introduction Number</b> <b>SB-058</b>
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**Description**  
 Changing the individual income tax rates of taxation

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 3/7/2007
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**Fiscal Estimate Narratives**  
**DOR 3/7/2007**

LRB Number <b>07-1594/1</b>	Introduction Number <b>SB-058</b>	Estimate Type <b>Original</b>
<b>Description</b> Changing the individual income tax rates of taxation		

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, there are four income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket is 4.6% of taxable income; the rate for the second bracket is 6.15%; the rate for the third bracket is 6.5%; and the rate for the highest bracket is 6.75%.

This bill reduces each tax rate for taxable years beginning after December 31, 2006. Under the bill, the rate of taxation for the lowest bracket will be 4.554% of taxable income; the rate for the second bracket will be 6.089%; the rate for the third bracket will be 6.435%; and the rate for the highest bracket will be 6.683%. The bill does not affect indexing of the tax brackets for inflation.

Based on a simulation using the 2005 Individual Income Tax Model, the rate reduction is estimated to reduce revenue by \$102.9 million in fiscal year 2008 and \$74.9 million annually beginning in fiscal year 2009. The fiscal year 2008 effect reflects the initial impact both with respect to changes in tax year 2007 liability and changes to withholding for tax year 2008.

Additionally, the department estimates that it will incur one-time printing and postage costs of \$40,000 in fiscal year 2008. The withholding tables for tax year 2007 are already established, so a tax rate reduction will lead to more refunds in fiscal year 2008. The withholding tables for future years can be adjusted to reflect the new rates.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 07-1594/1		<b>Introduction Number</b> SB-058	
<b>Description</b> Changing the individual income tax rates of taxation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  \$40,000 cost for printing and postage in fiscal year 2008, \$102.9 million revenue loss for fiscal year 2008			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-74,900,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-74,900,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-74,900,000	\$
<b>Agency/Prepared By</b> <b>Authorized Signature</b> <b>Date</b>			
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