

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>17-2339/1</b>	Introduction Number <b>AB-0200</b>
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**Description**  
 increasing certain individual income tax rates and expanding the number of brackets, increasing the personal exemption for certain individuals, and sunsetting the manufacturing and agriculture tax credit

**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"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<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 checked="" type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected
<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	
		<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

<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> Jamie Adams (608) 266-6785	<b>Date</b> 4/18/2017
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## Fiscal Estimate Narratives

DOR 4/18/2017

LRB Number	17-2339/1	Introduction Number	AB-0200	Estimate Type	Original
<b>Description</b> increasing certain individual income tax rates and expanding the number of brackets, increasing the personal exemption for certain individuals, and sunsetting the manufacturing and agriculture tax credit					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a new top individual income tax rate and bracket, increases the personal exemption, and sunsets the manufacturing and agriculture credit for individuals. The bill is effective for tax year 2017.

The current law top individual income tax rate is 7.65% applied to taxable income exceeding \$247,350 for single or head of household filers, \$329,800 for married joint filers, or \$164,900 for married separate filers. This bill retains the 7.65% rate for taxable income up to \$1 million for married joint filers or \$500,000 for all other filers. It creates a new 8.25% tax rate that applies to income above those thresholds. As with the other individual income tax brackets, the new bracket is indexed for inflation.

The current law personal exemption allows individuals to reduce their income by \$700 for each individual in the household (filer, spouse, and dependents). This bill creates a new personal exemption for filers and spouses, leaving the current law dependent exemption unchanged. The new personal exemption has a base amount equal to \$16,520 for married joint filers or \$8,260 for all other filers. Filers with income below a certain threshold (\$12,000 for single filers, \$20,000 for joint filers, \$10,000 for married separate filers, or \$14,000 for head of household filers) may claim the new personal exemption base amount. For income levels above the threshold, the new personal exemption phases down to the current law \$700 exemption as income increases. Individuals with income above \$60,000 for single filers, \$100,000 for married joint filers, \$50,000 for married separate filers, or \$70,000 for head of household filers will retain the current law personal exemption.

The bill also sunsets the current law manufacturing and agriculture credit for individuals, beginning in 2017.

Based on a simulation of the provisions using 2015 individual income tax returns adjusted for income levels and law changes, the bill would decrease revenue by approximately \$91.5 million in fiscal year 2018, \$57.8 million in fiscal year 2019, and smaller amounts annually thereafter.

If the bill also eliminated the corporate manufacturing and agriculture credit beginning in 2017, the bill would be approximately revenue neutral in fiscal year 2018.

### Long-Range Fiscal Implications

The additional revenue from the new bracket and the manufacturing and agriculture credit elimination will increase faster over time than the revenue loss from the additional personal exemption.

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

<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		

**III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)**

	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>

<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$

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DOR/ Bradley Caruth (608) 261-8984	Jamie Adams (608) 266-6785	4/18/2017