

FISCAL NOTE

SB 1808 - HB 1873

May 30, 2001

SUMMARY OF BILL:

- Creates the Tax Relief and Reform Act of 2001.
- Exempts grocery food from state sales tax.
- Reduces the state sales tax from 6.0% to 3.25% except on the following categories: amusements, hotel/motel, rental cars, tobacco, alcohol, and sports authorities.
- Holds local governments harmless for any reduction in state-shared taxes from reducing the state sales tax from 6.0% to 3.25%.
- Repeals the Hall Income Tax for tax years beginning January 1, 2002 and holds local governments harmless for the repeal of such tax.
- Provides a credit for the payment of Professional Privilege Tax.
- Imposes a state income tax on federal adjusted gross income based on the following tables:

Single, Married Filing Separately, Resident Estate, and Resident Trust

Income Bracket	Tax Rate
\$0 to \$15,000	0%
\$15,001 to \$30,000	2% of income over \$15,000
\$30,001 to \$45,000	\$300 plus 4% of income over \$30,000
\$45,001 to \$60,000	\$900 plus 6% of income over \$45,000
\$60,001 and up	\$1,800 plus 8% of income over \$60,000

Resident Head of Household

Income Bracket	Tax Rate
\$0 to \$22,500	0%
\$22,501 to \$45,000	2% of income over \$22,500
\$45,001 to \$67,500	\$450 plus 4% of income over \$45,000
\$67,501 to \$90,000	\$1,350 plus 6% of income over \$67,500
\$90,001 and up	\$2,700 plus 8% of income over \$90,000

Married Persons Filing Jointly

Income Bracket	Tax Rate
\$0 to \$30,000	0%
\$30,001 to \$60,000	2% of income over \$30,000
\$60,001 to \$90,000	\$600 plus 4% of income over \$60,000
\$90,001 to \$120,000	\$1,800 plus 6% of income over \$90,000
\$120,001 and up	\$3,600 plus 8% of income over \$120,000

- Modifies the sales tax allocation formula.
- Limits the number of special censuses from 3 per decade to 1 per decade that a local government may conduct for purposes of establishing a basis for state-shared taxes.

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ESTIMATED FISCAL IMPACT:

**Increase State Revenues - Net Impact - \$569,419,116 FY 01-02
\$435,495,157 FY 02-03**

**Increase State Expenditures - Exceeds \$20,000,000 Recurring
Exceeds \$15,000,000 One-Time**

Other Fiscal Impact - Modifies distribution formula of state-shared sales taxes.

Estimate assumes the following:

<u>Increased State Revenues</u>	<u>FY 01-02</u>	<u>FY 02-03</u>
Graduated Income Tax	\$2,824,100,000	\$2,965,305,000
Total Increase in State Revenues	\$2,824,100,000	\$2,965,305,000
<u>Decreased State Revenues</u>	<u>FY 01-02</u>	<u>FY 02-03</u>
Exempt Grocery Food from State Sales Tax	\$440,640,000	\$458,265,600
Reduce State Sales Tax	1,910,304,302	1,967,613,431
Addback: Grocery Food Already Exempt and Removed from Base	(201,960,000)	(210,038,400)
Hold Local Governments Harmless: State-Shared Sales Tax	92,496,582	95,374,212
Hall Income Tax Repeal (State Share)		128,041,875
Local Share Hold Harmless		76,825,125
Professional Privilege Tax Credit	<u>13,200,000</u>	<u>13,728,000</u>
Total Decrease In State Revenues	\$2,254,680,884	\$2,529,809,843
NET INCREASE STATE REVENUES	<u>\$569,419,116</u>	<u>\$435,495,157</u>

Estimate assumes the following:

- Sales Tax Revenues and Hall Income Tax Revenues are based on Funding Board Estimates for FY 01-02 taken from the May 2001 meeting.
- Estimates for Sales Tax Revenues and Hall Income Tax Revenues assume a growth rate of 3% for FY 02-03.
- Repeal of State Sales Tax on Grocery Food is based on FY 99-00 data and assumes a growth rate of 4% per year to reach the FY 01-02 estimate.
- An increase in state expenditures that exceeds \$20,000,000 on a recurring basis and \$15,000,000 one-time resulting from additional personnel and operational costs in the Department of Revenue in order to administer the provisions of the bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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