

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1585**

**As Engrossed: 3/13/2013**

**Bill Subtitle: TO AMEND THE INCOME TAX RATES AND BRACKETS OVER THREE YEARS; AND TO ADJUST THE MINIMUM AND MAXIMUM DOLLAR AMOUNTS IN CERTAIN INCOME TAX BRACKETS.**

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### **Basic Change :**

Rep Collins

The engrossed bill revises the bill as originally introduced to do the following:

- Incorporates the current individual income tax brackets for the 1%, 2.5%, 3.5% and 4.5% tax rates ,as indexed for inflation, into state law;
- Expands the current 6% income tax bracket by \$10,000 to impose that 6% rate on taxable income from \$20,400 to \$43,999. Currently, the 6% bracket applies to income of \$20,400 to \$33,999; and
- Reduces the top income tax rate from 7% to 6.875% on taxable income from \$44,000 and above. Currently the top 7% bracket applies to taxable income of \$34,000 and up;
- These changes are effective for tax years beginning on or after January 1, 2014.

### **Revenue Impact :**

FY 2014 - \$28.6 million loss

FY 2015 - \$57.2 million loss

### **Taxpayer Impact :**

Some taxpayers will have a lower total individual income tax liability for tax year 2014 and thereafter than they would have under current law.

### **Resources Required :**

Tax tables and computer systems must be updated.

### **Time Required :**

Adequate time is provided.

### **Procedural Changes :**

Individual Income Tax brackets and tables will need to be updated. Withholding tables will need to be updated. Tax community will need to be informed.

### **Other Comments :**

The tax brackets established in this bill will still be indexed for inflation under current law. As a result, the starting points for each tax bracket will be slightly higher than provided in this bill.

### **Legal Analysis :**

The bill, as amended, will be effective for tax years 2014, and following.