

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1402**

**Bill Subtitle: TO AMEND THE INCOME TAX APPLICABLE TO CAPITAL GAINS.**

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**Basic Change :** Sponsor: Representative Shepherd

This bill deletes capital gains language enacted by Act 22 of 2015 and adds new language to increase the capital gains exclusion to 50% effective tax years on or after January 1, 2015. This bill will also add new language for an income tax exemption for that portion of capital gains received by an individual taxpayer in excess of \$10M on or after January 1, 2014.

**Revenue Impact :**

FY2016 of \$10.8M reduction to General Revenue

FY2017 of \$11.8M reduction to General Revenue

**Taxpayer Impact :**

Taxpayers must maintain documentation relating to any transactions that qualify for the net capital gain income tax exemption.

**Resources Required :**

Update computer programs, tax forms, and instructions.

**Time Required :**

Adequate time is provided.

**Procedural Changes :**

Tax forms and instruction booklets will need to be updated and employees will need to be trained about the changing exemption amounts for processing returns. The tax community will need to be educated as well.

**Other Comments :**

None

**Legal Analysis :**

HB1402 amends a subdivision of recently adopted Act 22 of 2015, related to the amount of net capital gain exempt from income tax. HB1402 deletes Act 22's language which excluded 50% of net capital gains for the time period from January 1, 2015 through January 31, 2015 and excluded 40% of net capital gains for tax years beginning on and after February 1, 2015. The bill increases the capital gains exclusion to 50% for net capital gains arising on and after January 1, 2015.

HB1402 will also exempt the amount of net capital gain in excess of \$10,000,000 from income tax for tax years beginning on and after January 1, 2014.