

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1402**

**As Engrossed: 3/23/2015**

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

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**Basic Change :** Sponsors: Representatives Shepherd, Jett, Gillam, Baine, Ballinger, Baltz, Bell, Bennett, Bentley, Boyd, Bragg, Branscum, Collins, Cozart, Davis, Deffenbaugh, Della Rosa, Dotson, C. Douglas, D. Douglas, Drown, Eads, Eaves, Eubanks, Farrer, L. Fite, Gates, Gonzales, Henderson, K. Hendren, Hickerson, Hillman, G. Hodges, Jean, Lemons, Lowery, Lundstrum, Magie, McNair, S. Meeks, Neal, Pitsch, Richey, Richmond, Rushing, Scott, B. Smith, Speaks, Sturch, Sullivan, Tosh, Vaught, Vines, Wallace, Wardlaw, Wright  
Senators Files, Collins-Smith, J. Cooper, J. English, Flippo, Hester, B. King, Rapert, Rice, B. Sample, G. Stubblefield, E. Williams, J. Woods

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.

Amendment No. 1 will change the capital gain exclusion to 45% beginning February 1, 2015 and to 50% beginning on and after July 1, 2016.

Amendment No. 2 provides that the exclusion percentage for the month of January, 2015 is 50% as currently contained in Act 22 of 2015.

### **Revenue Impact :**

FY2016 of \$6.0M 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.

### **Legal Analysis :**

Amendment No. 2 clarifies that the capital gains exclusion for the month of January, 2015 will be 50%. Without this amendment, there would have been no clear exclusion percentage for that month.