

**Tax Commissioner
Budget No. 127
House Bill No. 1006**

	FTE Positions	General Fund	Other Funds	Total
2017-19 legislative appropriation	133.00	\$51,264,499	\$125,000	\$51,389,499
2015-17 legislative appropriation	<u>136.00</u>	<u>54,920,488¹</u>	<u>125,000</u>	<u>55,045,488</u>
2017-19 appropriation increase (decrease) to 2015-17 appropriation	(3.00)	(\$3,655,989)	\$0	(\$3,655,989)

¹The 2015-17 appropriation amount includes \$8,000 of one-time funding from the general fund. Excluding this amount, the agency's ongoing 2015-17 biennium general fund appropriation is \$54,912,488. The 2015-17 appropriation reflects a transfer of general fund appropriation authority of \$20,000 from the state agency energy impact funding pool to the Tax Commissioner.

Item Description

FTE changes - The 2017-19 biennium appropriation includes funding for 133 FTE positions, a decrease of 3 FTE positions from the 2015-17 biennium authorized level of 136 FTE positions. The Legislative Assembly removed 1 FTE tax services position, 1 FTE office assistant position, and 1 FTE document imaging position.

Homestead tax credit program and disabled veterans' property tax credit program - The homestead tax credit program provides tax credits to eligible homeowners who are aged 65 or older or who are certified as permanently and totally disabled regardless of age. Renters who are aged 65 or older or who are certified as permanently and totally disabled regardless of age may qualify for a rent refund. The disabled veterans' property tax credit program provides tax credits to disabled veterans with an armed forces service-connected disability of 50 percent or greater. The 2017 Legislative Assembly did not make any changes to the programs.

House Bill No. 1006 (2017) includes an appropriation of \$14,800,000 from the general fund for the homestead tax credit program and \$8,110,200 from the general fund for the disabled veterans' property tax credit program. The bill also authorizes to the Tax Commissioner to transfer funding as needed between the two programs during the 2017-19 biennium.

Status/Result

The Tax Department removed the three positions identified by the Legislative Assembly. All of the positions were vacant prior to removal.

The schedules below present the number of eligible homeowners, renters, disabled veterans, and the payments made in recent years.

Payment Year	Number Eligible for the Programs			Total
	Homeowners	Renters	Disabled Veterans¹	
2008	3,466	1,998		5,464
2009	3,715	2,051		5,766
2010	3,977	2,400	1,513	7,890
2011	4,451	2,367	1,764	8,582
2012	4,359	2,257	2,192	8,808
2013	4,265	2,283	2,460	9,008
2014	6,740	2,680	2,661	12,081
2015	8,964	2,814	2,902	14,680
2016	8,659	2,749	3,111	14,519
2017	8,621	2,497	3,329	14,447

¹Prior to 2009, disabled veterans were given a property tax exemption resulting in a revenue loss to the local governments which was not reimbursed by the state.

Payment Year	Payments Made Under the Programs			
	Homeowners	Renters	Disabled Veterans ¹	Total
2008	\$2,342,186	\$287,682		\$2,629,868
2009	\$2,396,968	\$302,632		\$2,699,600
2010	\$2,912,719	\$550,955	\$1,627,763	\$5,091,437
2011	\$3,375,376	\$584,610	\$1,961,238	\$5,921,224
2012	\$3,312,824	\$584,112	\$2,299,511	\$6,196,447
2013	\$3,352,224	\$583,233	\$2,587,745	\$6,523,202
2014	\$4,905,351	\$724,635	\$2,754,964	\$8,384,950
2015	\$6,446,260	\$779,043	\$3,060,402	\$10,285,705
2016	\$6,112,599	\$772,099	\$3,544,430	\$10,429,128
2017 ²	\$6,920,844	\$724,443	\$3,771,607	\$11,416,894

¹Prior to 2009, disabled veterans were given a property tax exemption resulting in a revenue loss to the local governments which was not reimbursed by the state.

²In May 2017, the Tax Department transferred \$750,000 from the homestead tax credit line item to the disabled veterans' tax credit line item to adjust the 2015-17 biennium appropriations for the programs because the new actual disabled veterans' tax credits exceeded the appropriation, while the actual homestead tax credits were less than the appropriation.

Multistate tax audit fund - Section 8 of 2017 House Bill No. 1006 creates a multistate tax audit fund. The collections from the Multistate Tax Commission audit and National Nexus Program are deposited in the fund, and the related program expenses are paid from the fund pursuant to a continuing appropriation. Excess collections are transferred to the general fund at the end of each fiscal year. Creation of this fund is anticipated to reduce general fund revenues by \$450,000 for the 2017-19 biennium and to reduce general fund appropriations by \$450,000 with an overall neutral impact to the general fund budget. As a result, the 2017 legislative revenue forecast did not include any estimates for excess collections.

Summary of individual and corporate income tax relief - The Legislative Assembly approved income tax rate reductions to provide income tax relief during the 2009, 2011, 2013, and 2015 legislative sessions.

- **Senate Bill No. 2199 (2009)** reduced the number of corporate income tax brackets from five to three and reduced the tax rates in each bracket. The bill also reduced the individual income tax rates by 12.3 percent. Based on the 2009 legislative revenue forecast and the fiscal note for the bill, estimated corporate income tax relief totaled \$10 million and estimated individual income tax relief totaled \$90 million for the 2009-11 biennium.
- **House Bill No. 1047 (2011)** reduced corporate income tax rates by 19.5 percent and individual income tax rates by 17.9 percent. Based on the 2011 legislative revenue forecast and the fiscal note for the bill, estimated corporate income tax relief totaled \$25 million and estimated individual income tax relief totaled \$120 million for the 2011-13 biennium.

For the 2017-19 biennium to date through March 2018, \$563,601 was deposited in the multistate tax audit fund, of which \$42,712 relates to sales and use tax collections and \$520,889 relates to corporate income tax collections. The fees for the Multistate Tax Commission audit and National Nexus Program are anticipated to total \$450,000 for the biennium. Based on deposits in the fund through March 2018, an estimated \$113,601 will be transferred to the general fund during the biennium.

For the 2009-11 biennium, actual corporate income tax relief totaled \$11,239,366, or \$1,239,366 more than the estimate, and actual individual income tax relief totaled \$94,073,028, or \$4,073,028 more than the estimate.

For the 2011-13 biennium, actual corporate income tax relief totaled \$83,727,181, or \$58,727,181 more than the estimate, and actual individual income tax relief totaled \$198,861,915, or \$78,861,915 more than the estimate.

- **Senate Bill No. 2156 (2013)** reduced corporate income tax rates by 11.9 percent and individual income tax rates by 19.3 percent. Based on the 2013 legislative revenue forecast and the fiscal note for the bill, estimated corporate income tax relief totaled \$50 million and estimated individual income tax relief totaled \$200 million for the 2013-15 biennium.
- **Senate Bill No. 2349 (2015)** reduced corporate income tax rates by 4.9 percent and individual income tax rates by 9.9 percent. Based on the 2015 legislative revenue forecast and the fiscal note for the bill, estimated corporate income tax relief totaled \$21 million and estimated individual income tax relief totaled \$87 million for the 2015-17 biennium.

For the 2013-15 biennium, actual corporate income tax relief totaled \$51,819,336, or \$1,819,336 more than the estimate, and actual individual income tax relief totaled \$208,688,034, or \$8,688,034 more than the estimate.

At the time of this report, information was not available from the Tax Department regarding the actual income tax relief related to the reduction in income tax rates for the 2015-17 biennium.