

REVENUE: No Revenue Impact

FISCAL: Fiscal statement issued

Action: Do pass as amended; be printed engrossed

Vote: 4-1-0

Yeas: Burdick, Monroe, Starr, Deckert

Nays: G. George

Exc.:

Prepared By: Paul Warner, Economist

Meeting Dates: 4/10, 4/25

WHAT THE BILL DOES: Modifies distribution of 2% surplus kicker refunds & credits. Changes calculation of percentage refunds/credits to a before all other credit basis from an after all other credit basis. Allows corporations to apply 2% surplus kicker credits to succeeding tax years after all other credits have been fully utilized. States that surplus kicker refund payments are refunds of an overpayment of taxes imposed in a prior year.

ISSUES DISCUSSED:

- Clarification that bill affects distribution of kicker refunds but not amount
- Impact on the value of credits especially marketable credits
- Impact on renewable energy investment
- Distribution effects of changing refunds to pre-credit basis
- Department of Revenue administrative capacity to change basis of calculation

EFFECT OF COMMITTEE AMENDMENTS: Replaces the bill.

BACKGROUND: Since 1979 2% surplus kicker credits and later refunds have been based on tax liability after the application of all other credits. This calculation has the effect of reducing the value of credits in those years when the percentage kicker credit/refund is relatively large. Although a number of credits have been expanded and some have been made marketable, the overwhelming dollar value of total personal income tax credits (roughly 80%) is due to the personal exemption credit. Because this credit is distributed in a progressive manner adjusting the kicker refund calculation to a pre-credit basis will have a slightly progressive impact (meaning that lower income taxpayers get a higher percentage of the refund than they do under current law), on the overall personal income tax burden.