

Joint Committee on Ways and Means

Carrier – House: Rep. Barnhart
Carrier – Senate: Sen. Burdick

Revenue: Revenue statement issued

Fiscal: Minimal fiscal impact – no statement issued

Action: Do Pass the A-Engrossed Measure

Vote: 13 – 6 – 3

Yeas: Buckley, D. Edwards, Galizio, Hunt, Kotek, Nathanson, Shields

Nays: Gilman, Richardson

Exc: Garrard, Jenson, G. Smith

Senate

Yeas: Bates, Carter, Johnson, Monroe, Verger, Walker

Nays: Girod, Nelson, Whitsett, Winters

Exc:

Prepared By: Laurie Byerly, Legislative Fiscal Office

Meeting Date: June 5, 2009

WHAT THE MEASURE DOES: Increases personal income tax rates on higher-income households.

Creates a 10.8% tax bracket for joint filers with taxable income between \$250,000 and \$500,000 (between \$125,000 and \$250,000 if single) and creates an 11% tax bracket for joint filers with income above \$500,000 (above \$250,000 if single); applies to tax years 2009 through 2011. Reduces top rate to 9.9% for joint filers with income above \$250,000 (above \$125,000 if single) for tax years 2012 and later. Phases out the federal tax subtraction for joint filers with adjusted gross income above \$250,000 (above \$125,000 if single). Excludes up to \$2,400 of unemployment compensation for tax year 2009. Becomes effective 91 days following sine die.

ISSUES DISCUSSED:

- Measure is a key component of the plan to balance the statewide budget
- Choice made to let bill stand on its own merit and not tie it to specific budget reductions
- Over one-half of the budget shortfall is being covered by reductions

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The measure came to the Joint Committee on Ways and Means from the House Revenue Committee, where it was one of several options considered for raising revenue.

The personal income tax was created in 1929 for the primary purpose of property tax relief. The tax rates ranged from 1% to 5%. The top rate was applied to income above \$8,000 for joint filers and \$4,000 for single filers. The highest rate of 11.6% was in place for 1955 and 1956 and applied to income above \$10,000 (joint) or \$5,000 (single); from 1982 to 1984 the top rate was 10.8%, and for 1985 and 1986 the top rate was 10% - all applicable at \$10,000 (joint) or \$5,000 (single). The current 5%-7%-9% structure has existed since 1987 and was adopted in response to a significant change in federal taxes that occurred in 1986 that essentially broadened that tax base so that rates could be reduced.