

REVENUE: No Revenue Impact

FISCAL: Fiscal Impact Statement Issued

Action: Do Pass

Vote: 3-0-1

Yeas: Hass, Morse, Burdick

Nays: 0

Exc.: Telfer

Prepared By: Paul Warner, Economist

Meeting Dates: 5/18

WHAT THE BILL DOES: Changes method of returning 2% surplus kicker revenue to personal income taxpayers. Eliminates requirement that Department of Revenue return surplus revenue in the form of a tax refund. Re-establishes requirement that revenue be returned through an income tax credit. Makes credit refundable in cases where current year tax liability is exhausted. Requires Department of Revenue to make information on credit available to taxpayers no later than October 15 in years when the kicker credit is applicable. First takes effect following the 2011-13 biennium.

ISSUES DISCUSSED:

- Impact of large kicker refunds on state cash flow management and costs.
- Administrative costs associated with current refund process. In 2007, the most recent kicker refund, administrative costs totaled about \$900,000.
- Application of credit to prior tax year.

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: Between 1979 and 1995, excess revenue as calculated through the 2% non-corporate kicker was returned through a credit on tax returns. In 1995, the Legislature changed the credit to a refund in which the Department of Revenue calculated the taxpayer's share and mailed a check to the taxpayer. Since 1979, the state has returned surplus non-corporate revenue through the kicker mechanism to taxpayers a total of 8 times.