

DRAFT

REVENUE:
FISCAL:

Action:

Vote:

Yeas:

Nays:

Exc.:

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Meeting Dates: April 8, May 22, 24, 2013

WHAT THE BILL DOES: Makes certain tax expenditures subject to allotment reductions. Under current law, the Governor has the authority to reduce General Fund expenditures during a biennium in which the latest revenue forecast shows a projected deficit for the biennium. Allotment reductions must be proportional and spread evenly across General Fund agencies. The reduction cannot exceed the size of the projected General Fund deficit. HB 2503 expands the allotment reduction to specified tax expenditures. The largest tax expenditures subject to the reduction are federal itemized deductions, the federal tax subtraction and the personal exemption credit. Allotment reductions cannot be applied to tax expenditures during the period October 1 to December 31. Requires the Department of Revenue and the Business Development Department notice of tax expenditure reduction on their respective websites.

ISSUES DISCUSSED:

- Ability and cost to Department of Revenue for implementing allotment reductions on tax expenditures.
- Potential revenue impact.
- Need to avoid reducing tax expenditures for certain long-term investments.

EFFECT OF COMMITTEE AMENDMENTS: Replaces the bill

BACKGROUND: Allotment reductions have been used as a method to quickly reduce General Fund spending in order to balance the budget during each of the last two recessions (2001 and 2007-09).