

**HB 2061 -2, -3, -4 STAFF MEASURE SUMMARY**

**House Committee On Revenue**

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**Prepared By:** Christine Broniak, Economist

**Meeting Dates:** 3/23, 6/21

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**WHAT THE MEASURE DOES:**

Changes connection point from federal taxable income to federal adjusted gross income by eliminating allowance of itemized deductions or standard deduction. Decreases personal income tax rates.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

-2 Replaces measure. Reduces business expense deductions by 2.5 percent for C-Corporations with sales over \$25 million. Takes effect for tax years starting after 1-1-2018.

-3 Replaces measure. Creates additional requirements for partnerships and S-Corporations to qualify for lower rates on pass-through income. Changes the employee requirement from one employee to ten. Requires that the business be in one of the following North American Industry Classification System (NAICS) sectors: Agriculture, Forestry, Fishing and Hunting, Mining, Quarrying and Oil and Gas Extraction, Manufacturing, Wholesale Trade, Transportation and Warehousing, Information, Accommodation and Food Services. Takes effect for tax years starting after 1-1-2017.

-4 Replaces measure. Removes deduction for corporate and personal income tax for employee compensation in an amount exceeding \$1 million. Takes effect for tax years starting after 1-1-2018.

**BACKGROUND:**