

**HB 2577 STAFF MEASURE SUMMARY**

**House Committee On Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 2/8

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**WHAT THE MEASURE DOES:**

Increases threshold amount of understated income tax above which penalty applies. Applies to tax years beginning on or after January 1, 2023. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Department of Revenue assesses a penalty in instances where a substantial understatement of net tax exists for any taxable year. The penalty is equal to 20 percent of the amount of any underpayment of net tax attributable to the understatement. A substantial understatement exists only if incurred on the return of the individual, corporation, or reporting entity required to file a return and pay tax. For tax year 2022, an understatement of net tax is substantial if the understatement exceeds \$3,850 for corporation income or excise tax or exceeds \$2,650 for personal income tax. The understatement threshold amounts are indexed to inflation.