

HB 4125 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Chris Allanach, Legislative Revenue Officer

Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/2

WHAT THE MEASURE DOES:

Requires changes to the method used to produce the quarterly economic and revenue forecast. Requires the use of estimates that are nearer the lower end of the generally accepted range for estimates. Requires that the range of estimates be derived from methods developed by national data vendors and consensus driven models using revenue collections over the prior ten fiscal years. Requires the Close-of-Session forecast to incorporate the greatest positive difference between forecasted and actual revenues over the previous five biennia.

By November 15 of each odd-numbered year, the Department of Revenue is required to estimate for the prior biennium the amount equal to the difference between the personal kicker estimate as the difference between the Close-of-Session forecast. Creates the One-Time Emergencies and Finance Fund. These resources may be used for the following purposes: reduction of the unfunded liability of PERS; capital projects, debt service, or emergency expenses.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The kicker was approved by the 1979 Legislature as part of an overall fiscal reform package. The package, which included property tax relief, was approved by voters in the spring of 1980. In 2000, voters acting on a legislative referral put a large portion of the 2% surplus kicker statute into the state constitution (Article IX, Section 14). In 2012, voters modified the constitution (Measure 85), redirecting corporate kicker revenue to the General Fund for purposes of funding K-12 education.

The kicker law divides all General Fund revenue into two pots: (1) corporate income taxes and (2) all other revenue (mostly personal income taxes). At the end of each biennium, a calculation is made for each pot. If actual corporate income tax collections are 2% or more above the close of session estimate, then the full difference is dedicated to K-12 education. If the collections in the “all other” pot are more than 2% higher than was forecast at the close of the regular session, then the full difference is distributed to personal income taxpayers as a tax credit.

The estimate upon which the kicker calculation is based can be increased, thereby reducing or eliminating the personal income tax credit, on a one-time basis, if an emergency is declared and approved by a 2/3 vote in each chamber of the Legislative Assembly prior to the end of the biennium upon which the kicker calculation is based.