

FISCAL NOTE

S.B. 500

2013 General Session

SHORT TITLE: Corporate Tax Rate Reduction to 4%

SPONSOR: Senator Jardine

NODE 1. CURRENT PRACTICE STATE GOVERNMENT STATIC IMPACT (UCA 36-12-13(2)(b))

Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by \$50 million in FY 2013, \$68 million in FY 2014, and \$71 million in FY 2015.

Revenues	FY 2013	FY 2014	FY 2015
Education Fund	\$ (50,000,000)	\$ (68,000,000)	\$ (71,000,000)
Total	(50,000,000)	(68,000,000)	(71,000,000)
Appropriations	FY 2013	FY 2014	FY 2015
Education Fund	\$0	\$0	\$0
Total	\$0	\$0	\$0

NET STATE GOVERNMENT STATIC IMPACT

STATIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (static)	(50,000,000)	(68,000,000)	(71,000,000)
Net General & Education Funds (Rev.-Approp.) (static)	(50,000,000)	(68,000,000)	(71,000,000)

NODE 2. STATE GOVERNMENT DYNAMIC REVENUE SIDE IMPACT

Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by \$42.7 million in FY 2013, \$60.2 million in FY 2014, and \$63.0 million in FY 2015.

Dynamic Revenue Impact	FY 2013	FY 2014	FY 2015
Education Fund, static	\$ (50,000,000)	\$ (68,000,000)	\$ (71,000,000)
Education Fund, dynamic	\$ 4,300,000	\$ 4,558,000	\$ 4,877,100
General Fund, dynamic	\$ 3,000,000	\$ 3,240,000	\$ 3,466,800
Total	(42,700,000)	(60,202,000)	(62,656,100)
Appropriations	FY 2013	FY 2014	FY 2015
Education Fund	\$0	\$0	\$0
Total	\$0	\$0	\$0

NET DYNAMIC STATE GOVERNMENT IMPACT (REVENUE SIDE)

DYNAMIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (dynamic)	(42,700,000)	(60,202,000)	(62,656,100)
Net General & Education Funds (Rev.-Approp.) (dynamic)	(42,700,000)	(60,202,000)	(62,656,100)

DYNAMIC REVENUE SIDE IMPACT

The static revenue effect is -\$50 million in FY 2013, -\$68 million in FY 2014, and -\$71 million in FY 2015. Presuming that the tax cut induces \$100 million in corporate spending on investments and labor, the dynamic revenue side impact becomes -\$42.7 million in FY 2013, -\$60.2 million in FY 2014, and -\$62.7 million in FY 2015.

NODE 3. STATE GOVERNMENT DYNAMIC REVENUE & EXPENDITURE IMPACT

Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by \$169 million in FY 2013, \$238 million in FY 2014, and \$244 million in FY 2015.

Dynamic Revenue Impact	FY 2013	FY 2014	FY 2015
Education Fund (static)	\$ (50,000,000)	\$ (68,000,000)	\$ (71,000,000)
Education Fund (dynamic revenue side)	\$ 4,300,000	\$ 4,558,000	\$ 4,877,100
General Fund (dynamic revenue side)	\$ 3,000,000	\$ 3,240,000	\$ 3,466,800
Education Fund (dynamic expenditure side)	\$ (3,200,000)	\$ (3,456,000)	\$ (3,697,900)
General Fund (dynamic expenditure side)	\$ (2,300,000)	\$ (2,438,000)	\$ (2,608,700)
Total	(48,200,000)	(66,096,000)	(68,962,700)
Appropriations	FY 2013	FY 2014	FY 2015
Education Fund, dynamic	\$ (42,700,000)	\$ (60,202,000)	\$ (62,656,100)
Total	(42,700,000)	(60,202,000)	(62,656,100)

NET DYNAMIC STATE GOVERNMENT IMPACT (REVENUE & EXPENDITURE)

DYNAMIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (dynamic)	(5,500,000)	(5,894,000)	(6,306,600)
Net General & Education Funds (Rev.-Approp.) (dynamic)	(5,500,000)	(5,894,000)	(6,306,600)

DYNAMIC REVENUE & EXPENDITURE IMPACT

The static revenue effect is -\$50 million in FY 2013, -\$68 million in FY 2014, and -\$71 million in FY 2015. Presuming the tax cut induces private sector spending and that the reduction in State spending reduces GF/EF revenue, the bottom line revenue impact becomes -\$48.2 million in FY 2013, -\$60.2 million in FY 2014, and -\$62.7 million in FY 2015.

NODE 4. STATE GOVERNMENT DYNAMIC REV. & EXP. 2 WITH LOCAL EXP. IMPACT

Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by \$161 million in FY 2013, \$230 million in FY 2014, and \$235 million in FY 2015.

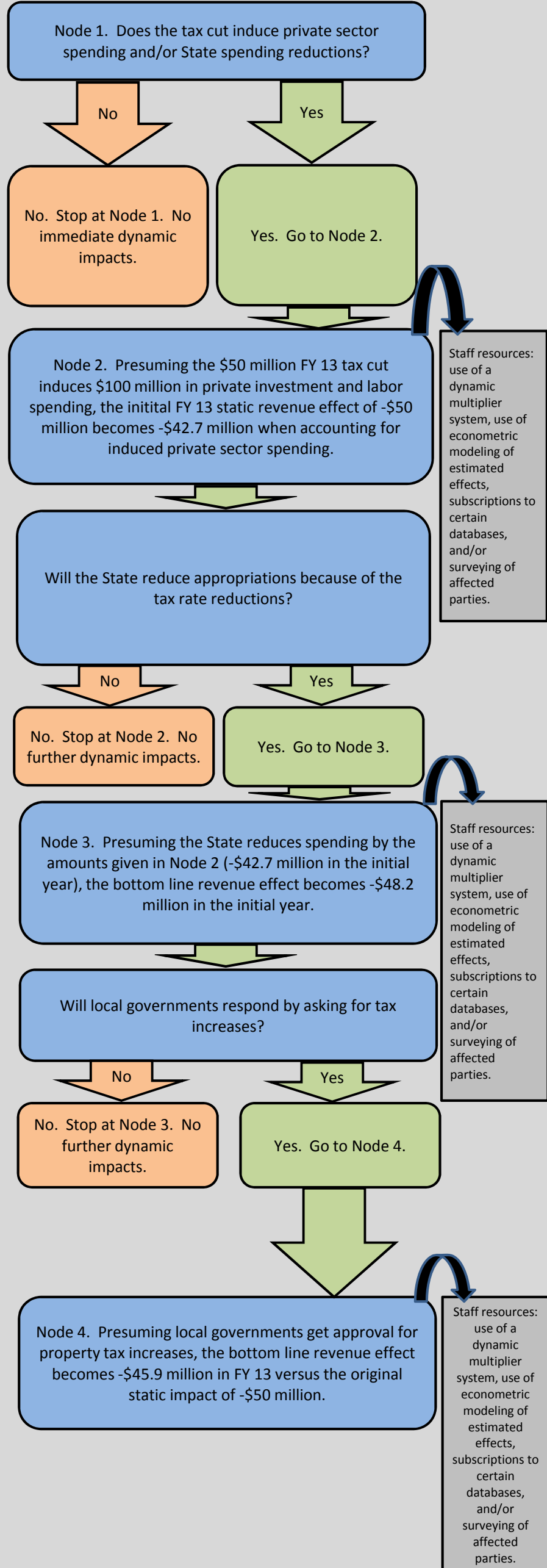
Dynamic Revenue Impact	FY 2013	FY 2014	FY 2015
Education Fund (static)	\$ (50,000,000)	\$ (68,000,000)	\$ (71,000,000)
Education Fund (dynamic revenue side)	\$ 4,300,000	\$ 4,558,000	\$ 4,877,100
General Fund (dynamic revenue side)	\$ 3,000,000	\$ 3,240,000	\$ 3,466,800
Education Fund (dynamic expenditure side)	\$ (3,200,000)	\$ (3,456,000)	\$ (3,697,900)
General Fund (dynamic expenditure side)	\$ (2,300,000)	\$ (2,438,000)	\$ (2,608,700)
Education Fund (dynamic exp. & rev. side 2)	\$ 1,300,000	\$ 1,404,000	\$ 1,502,300
General Fund (dynamic exp. & rev. side 2)	\$ 1,000,000	\$ 1,060,000	\$ 1,134,200
Total	(45,900,000)	(63,632,000)	(66,326,200)
Appropriations	FY 2013	FY 2014	FY 2015
Education Fund, dynamic	\$ (42,700,000)	\$ (60,202,000)	\$ (62,656,100)
Total	(42,700,000)	(60,202,000)	(62,656,100)

NET DYNAMIC STATE GOVERNMENT IMPACT (REVENUE & EXPENDITURE)

DYNAMIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (dynamic)	(3,200,000)	(3,430,000)	(3,670,100)
Net General & Education Funds (Rev.-Approp.) (dynamic)	(3,200,000)	(3,430,000)	(3,670,100)

DYNAMIC REVENUE & EXPENDITURE IMPACT

The static revenue effect is -\$50 million in FY 2013, -\$68 million in FY 2014, and -\$71 million in FY 2015. Presuming the tax cut induces private sector spending and that the reduction in State spending induces local tax increases, the bottom line revenue impact becomes -\$45.9 million in FY 2013, -\$63.6 million in FY 2014, and -\$66.3 million in FY 2015.



Staff resources: use of a dynamic multiplier system, use of econometric modeling of estimated effects, subscriptions to certain databases, and/or surveying of affected parties.

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Notes | Assumptions

1. Multipliers depend upon such things as interest rates, economic conditions, consumer confidence, expected taxation, reactions from competitors, and many others. Because multipliers are not constant and depend upon the size of a tax cut/tax increase (non-linear), staff would need to continually update estimates of non-linear multiplier matrices quarterly.
2. General Fund revenue impact includes earmarks.