HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 577   **DATE:** April 17, 2001
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   Subject: Reverse Referendum to Rescind State Tax Increases

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Overview

This bill proposes a constitutional amendment, as well as an enabling statute, that would provide for reverse referenda on increases in state individual income and sales tax revenues that exceed inflation and population growth. Under the proposed enabling statute, any increase that exceeds the combination of inflation (measured by the Implicit Price Deflator for government goods and services) and household growth would allow voters to petition to rescind the increase. This would not be dependent upon a legislated increase, but could result from income or sales growth. The reverse referendum would apply to the entire increase, not just that in excess of the thresholds. If the vote rescinds the increase, the revenue would be paid back to taxpayers as a per capita refundable income tax credit. Dependents' credits would be claimed by their parents or caretakers.

Section

1   **Constitutional amendment.** Proposes a constitutional amendment to the people, permitting laws allowing referenda or reverse referenda on increases in state tax rates or revenues.

2   **Ballot question.** Provides the form of the ballot question for the constitutional amendment to be submitted at the 2002 general election: Should the constitution be amended to permit enactment of a law allowing the voters to approve or disapprove increases in state tax rates or revenue collections.

3   **Reverse referendum.** Directs the commissioner of finance to annually prepare an estimate of the increase in individual income and sales tax revenues that will occur in the current and next fiscal years. This estimate would be prepared within 21 days after the end of a regular legislative session. If the estimated increase for the two taxes is greater than the sum of the increase in the implicit price deflator and the number of households in the state, the commissioner is to publish the increase in the State Register. The increase must be published within 30 days after the end of the legislative session. The amount of the published increase would be the entire increase, not just the portion that exceeds the threshold percentage.

If a petition, signed by 10 percent of the registered voters in the state, is filed with the Secretary of State within 21 days after publication of the increase in the State Register, an election must be held on whether to rescind the revenue increase.

The election will be held on the next general election day. The Secretary of State is to determine the form of the ballot question.

4   **Refund of rescinded revenue.** Provides that if a revenue increase is rescinded by the voters, it will be paid as a refundable income tax credit equal to the total amount of the rescinded revenue divided by the estimated number of filers, spouses, and dependents in the state. The credit is to be included in the forms and instructions, if a revenue increase is submitted to the voters. The commissioner of revenue is to publicize the results to taxpayers so that they will know whether to claim the credits or not.