

HOUSE RESEARCH

Bill Summary

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Subject: Income tax rate reduction

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Reduces the 7.05 percent individual income tax rate to 6.45 percent. Updates the income thresholds for all four brackets to the levels in effect under current law for tax year 2016. Re-sets the base year for adjusting the income tax brackets for inflation to 2016, using as the starting point the prior law bracket amounts adjusted to 2016.

The income tax rates apply to taxable income, which is income after federal deductions and exemptions and after state modifications (both additions and subtractions). The table shows the income levels in effect for tax year 2016 for the 7.05 percent rate, which would be reduced to 6.45 percent under the bill.

Brackets for 7.05 percent rate (reduced to 6.45 percent under bill)

Filing status	
Married joint	\$36,821 to \$146,270
Married separate	\$18,411 to \$73,135
Single	\$25,181 to \$82,740
Head of household	\$31,011 to \$124,600

After each February forecast directs the commissioner to compare revenues and expenditures for the current biennium, and to adjust the second rate up or down in .05 percentage point increments so that revenues approximate expenditures, but not to more than 7.05 percent or less than 6.45 percent.