

## STATEMENT OF PURPOSE

### RS25989C2

This legislation repeals the sales tax on food sold for human consumption, using the definition of food products provided under the Federal Supplemental Nutrition Assistance Program (SNAP). To offset the reduction in General Fund revenue, the proposal will repeal the Grocery Tax Credit. Revenue sharing with local governments is increased from 11.5% to 13.2% to mitigate the lower sales tax collections. Local governments are kept whole.

This legislation lowers individual tax rates by .5% through all income brackets; e.g. from 7.4% to 6.9%, from 7.1% to 6.6%, from 6.1% to 5.6%, down to the lowest bracket from 1.6% to 1.1%. The corporate income tax rate is reduced from 7.4% to 5.0%. In addition, the Investment Tax Credit is closed to new applicants effective July 1, 2018 and all existing individuals and businesses will be allowed to sunset their credit given existing statutes.

### FISCAL NOTE

FISCAL NOTE details for FY 2019:

Grocery tax repeal effects: Revenues to the State General Fund are estimated to be reduced by \$56.8 million (this includes the loss in revenue from sales tax collections on food, and the offset to the General Fund from repealing the Grocery Tax Credit), while revenue sharing to local units of government are estimated to be an additional \$28.2 million in revenue reduction to the State General Fund. Local revenue sharing distribution is adjusted to compensate for this tax policy transition.

Individual income tax cut effects: Fiscal impact to the general fund is a revenue decrease of \$150.6 million for the individual income tax rate reduction.

Corporate income tax cut effects: The fiscal impact for the corporate rate reduction is a \$73.1 million revenue reduction to the general fund and the elimination of the Investment Tax Credit will increase revenues to the general fund by \$44 million.

Total Net Effects: The overall impact to the general fund for this legislation is a revenue decrease of \$264.7 million.

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**DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).**