Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 29 (as enrolled)	**PUBLIC ACT 9 of 1995**
Senate Bill 233 (as enrolled)	**PUBLIC ACT 5 of 1995**
Senate Bill 235 (as enrolled)	**PUBLIC ACT 6 of 1995**
Senate Bill 237 (as enrolled)	**PUBLIC ACT 7 of 1995**
House Bill 4230 (as enrolled)	**PUBLIC ACT 1 of 1995**
House Bill 4231 (as enrolled)	**PUBLIC ACT 2 of 1995**
House Bill 4232 (as enrolled)	**PUBLIC ACT 3 of 1995**
House Bill 4233 (as enrolled)	**PUBLIC ACT 4 of 1995**

Sponsor: Senator Michael J. Bouchard (S.B. 29)
Senator Doug Carl (S.B. 233)
Senator Glenn D. Steil (S.B. 235)
Senator Loren Bennett (S.B. 237)
Representative Susan Grimes Munsell (H.B. 4230)
Representative Alvin H. Kukuk (H.B. 4231)
Representative Sandra Hill (H.B. 4232)
Representative Charles Perricone (H.B. 4233)
Senate Committee: Finance
House Committee: Tax Policy

Date Completed: 8-1-95

RATIONALE

Changes in the State's tax structure precipitated by the State's new school financing system, the overall health of the economy, increases in business activity, low unemployment rates, and increases in State residents' personal income all have contributed to robust State revenue collections. At the required biannual Consensus Revenue Estimating Conference (held on January 12, 1995), part of the consensus agreement was that the State would close the 1994-95 fiscal year $297.3 million in excess of the State's revenue limit. (This estimate was lowered to $125 million at the May 15, 1995, Consensus Revenue Estimating Conference.) The State Constitution contains a limit on the total amount of taxes that the State may impose in any fiscal year on the taxpayers. The limit was placed in the Constitution by the voters in 1978, and restricts State revenue to a proportion of total personal income in the State; revenue may not exceed 9.49% of the higher of the previous calendar year's total personal income or of the average of the previous three years. Article 9, Section 26 of the State Constitution prescribes the calculation of the limit, and provides that if total State revenues exceed the limit by 1% or more, the excess must be refunded to Michigan income and single business tax payers. In the Governor's State of the State address, he proposed that, rather than simply waiting until the end of the fiscal year (September 30) to see how much the revenue limit is exceeded and refunding the excess, the projected surplus be used now, for permanent tax cuts. The Governor suggested a package of tax cuts to lower taxes on individuals and businesses. The Governor proposed an increase in the personal exemption to the income tax, and an adjustment for inflation in future years; reductions in the single business tax; and a reduction, and eventual elimination, of the intangibles tax. In addition, it was suggested that an income tax deduction for college tuition be included in the package.

CONTENT

The bills increase the personal exemption beginning in 1995; reduce the single business tax (SBT), beginning in 1995, by the amount of various payments made by employers; reduce the intangibles tax beginning with the 1994 tax year and eliminate it by 1998; and, beginning with the 1995 tax year, allow a taxpayer to deduct from taxable income under the income

tax tuition paid on behalf of a dependent to an institution of higher learning.

All of the bills were tie-barred to Senate Bill 233 and House Bill 4233; in addition, House Bill 4231 was tie-barred to Senate Bill 237. (Senate Bills 235 and 237, and House Bills 4230, 4231, and 4232 took effect on March 8, 1995. Senate Bills 29 and 233, and House Bill 4233 will take effect on the 91st day after the Legislature adjourns sine die.) Following is a detailed description of the bills.

House Bills 4231 and 4232

The bills amended the Income Tax Act to increase the personal exemption and index the exemption to the rate of inflation.

Previously, a taxpayer could subtract from taxable income $2,100 for each personal exemption claimed. House Bill 4231 increases the personal exemption to $2,400 for the 1995 and 1996 tax years, and to $2,500 for tax years after 1996. In addition to these increases, the bill provides that if the revenue estimating conference required by the Management and Budget Act forecast in May 1995, that State revenue estimates would exceed estimates from the January 1995 conference by $16 million or more, the personal exemption would be increased by $50 for each $16 million increment by which the May 1995 revenue estimate exceeded the January 1995 estimate. For the 1995, 1996, and 1997 tax years, the amount determined under this provision would have to be added to the personal exemption, although the amount added could not exceed $250. (Note: The revenue estimate adopted at the May 1995 Consensus Revenue Estimating Conference actually was lower than the estimate forecast in January.)

House Bill 4232 indexes the personal exemption to the rate of inflation for each tax year after 1997. The bill specifies that the exemption will have to be adjusted by multiplying the exemption for the tax year beginning in 1997 by a fraction, the numerator of which is the U.S. consumer price index for the State fiscal year ending in the tax year for which the adjustment is being made, and the denominator of which is the consumer price index for the 1996-97 State fiscal year. The product must be rounded to the nearest $100 increment, which will be the personal exemption for the tax year.

Senate Bill 235 and House Bill 4230

The bills amended the Single Business Tax Act to remove from the tax base, for tax years beginning after 1994, payments for unemployment compensation, workers' compensation, and Social Security.

Senate Bill 235 removes from the tax base of a taxpayer payments to State and Federal unemployment compensation funds and payments (including self-insurance payments) for workers' compensation insurance and Federal Employers Liability Act Insurance. House Bill 4230 removes from the tax base of a taxpayer the employer's portion of payments under the Federal Insurance Contribution Act (FICA); the Railroad Retirement Tax Act; and similar social insurance programs.

Senate Bill 233 and House Bill 4233

The bills amended the intangibles tax Act to increase the credit allowed against the tax; reduce the intangibles tax each year through 1997; and repeal the Act effective January 1, 1998.

House Bill 4233 increases the credit allowed against the intangibles tax to $280 (from the current $175), or to $560 for a joint return (from $350), for tax years after 1993. Further, the bill provides for a reduction in the tax for 1994 through 1997; the tax computed under the Act, minus the deduction, is reduced by 25% in 1994 and 1995, 50% in 1996, and 75% in 1997.

Senate Bill 233 repeals the intangibles tax Act effective January 1, 1998.

Senate Bill 29

The bill amended the General Property Tax Act to specify that intangible personal property is exempt from property taxes. (Under Section 2e of the intangibles tax Act, personal property subject to or expressly exempt from the intangibles tax is exempt from all general property taxes. Repeal of the intangibles tax Act, pursuant to Senate Bill 233, removes the exemption.)

Further, the bill specifies that the taxable status of computer software, as taxed under the General Property Tax Act, will not be affected by the bill's exemption for intangible personal property. (Under the Act, computer software is exempt from taxation, unless the software is incorporated as a permanent component of a computer or other device and not available separately; or the cost of the software is included as part of the cost of a computer.)

Senate Bill 237

The bill amended the Income Tax Act to provide

that for 1995 and thereafter a resident of Michigan with a household income of $200,000 or less may claim a credit against the income tax for a portion of the tuition and fees paid to a qualified institution of higher learning in the State by the claimant on behalf of the claimant or any other student. A person may claim a credit equal to 4% of tuition and fees, not to exceed $250 for each student for each tax year. A credit may not be claimed for more than four tax years for any one student. The credit must be claimed on a separate form, exclusive of any other form required under the Act. The Department of Treasury may require reasonable proof from the claimant regarding the fees and tuition payments claimed under the bill. To be a qualified institution, a school must provide a letter of notification to the State Treasurer before July 1 of the tax year stating that it will not increase tuition rates during the ensuing academic year by more than the annual average percentage increase in the U.S. consumer price index in the immediately preceding tax year. A qualified institution's programs maynot be composed solely of sectarian instruction or religious worship.

Under the bill, "tuition" refers to tuition paid for credits for an undergraduate degree program or credits granted by a community college toward a degree program or for transfer toward an undergraduate degree program. Further, only fees "uniformly required to be paid by all students" count toward the credit.

MCL 206.9e (S.B. 29)
205.131-205.147 (S.B. 233)
208.4 et al. (S.B. 235)
206.274 (S.B. 237)
208.4 & 208.4b (H.B. 4230)
206.30 (H.B. 4231)
206.30b (H.B. 4232)
205.133 & 205.134 (H.B. 4233)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The State finds itself in the enviable position of having a projected substantial revenue surplus at the end of the current fiscal year. The Governor proposed that the State use this opportunity not only to return the surplus to the taxpayers, but also to enact permanent tax cuts, to the benefit of individual and business taxpayers in the future. Specifically, the Governor proposed changes to the single business tax, the intangibles tax, and the income tax. The enacted tax cuts will put more money in the pockets of taxpayers, both individuals and businesses, further stimulating and strengthening the economy, as well as increasing the potential for investment and new job growth. For many years the taxpayers of Michigan have struggled under the burden of high taxes. This package, combined with other recent tax cuts, will continue to improve the State's overall tax climate and further erode the State's reputation as a high tax state.

Supporting Argument

The May 1995 Consensus Revenue Estimating Conference projected that the State will exceed the constitutional revenue limit by $125 million at the end of the 1994-95 fiscal year. Under the Constitution, if the limit is exceeded by 1% or more, the excess must be refunded pro rata based on State income tax and single business tax annual returns. It was suggested that refunding excess revenue in this manner could result in a costly administrative nightmare. By allowing taxpayers to keep the projected excess before it occurs, however, the tax cuts remove the possibility that the revenue limit will be exceeded.

Supporting Argument

The income tax component of the tax package offers immediate help to individual taxpayers by increasing the personal exemption, which reduces income tax liability. Further, and perhaps more importantly, the bills offer lasting tax relief by indexing the exemption to the rate of inflation. While the personal exemption has been increased in the past, the Income Tax Act has had no provision to tie the exemption to inflationary increases. This means that the exemption has remained constant in many years when the economy experienced substantial increases in inflation; as a result, the actual value of the exemption to individual taxpayers and their families was reduced. The bills not only increase the exemption, they also prevent the value of the exemption from eroding, thus putting more money in the hands of taxpayers now and in the future.

Supporting Argument

It is wise for the State to take this opportunity to rid itself of an onerous tax that falls disproportionately on persons who have saved their earnings and invested in stocks and other investments. The intangibles tax Act provides for a tax on the privilege of ownership of intangible property such as stocks, bonds, land contracts, annuities, and mutual funds. A person must file an intangibles tax return if the dividends and interest from intangible property exceed $5,000 per year, or if the person owns nonincome-producing intangible

property in excess of $175,000 in value for a single return, or $350,000 for a joint return. The tax rate applied to intangible property is the greater of 3.5% of the income from property, or one-tenth of 1% of the value of the property. While it may seem that people who generate over $5,000 per year in interest and dividend income are not financially strapped, it must be remembered that, for some of them, particularly retirees, these investments may be their only source of income. In such cases the intangibles tax can be a significant burden.

Further, it must be pointed out that the intangibles tax is the third tax paid on the same amount of this income, since both Federal and State income tax also must be paid on intangibles income. This is particularly unfair to retirees; in effect, it punishes those who rely on investments instead of pensions. Persons who receive a government pension, on the other hand, pay no State income tax and persons who receive a private pension must receive a substantial amount before they are subject to the tax; none of this pension money is subject to the intangibles tax. Meanwhile, a person who relies on investments for retirement income is subject not only to the 4.4% State income tax, but also to an additional 3.5% intangibles tax. This is a tax that should have been eliminated long ago, if for no other reason than simple fairness.

Response: Though some people make a good case that the tax falls unfairly on low- and middle-income seniors or other retirees, this is not a reason to eliminate the tax entirely. While attempting to help those who may be unfairly burdened by the tax, eliminating it rewards greatly a relative handful of wealthy persons, thus benefiting the most privileged of our society. Clearly, a bill could be structured to provide relief to those low- and middle-income persons affected by the intangibles tax, while maintaining the tax on, and the revenue it generates from, the well-to-do. The attempt of the package to return money to taxpayers should not benefit a wealthy few.

Supporting Argument

Repeal of the intangibles tax will have several benefits, among them the removal of a disincentive to save money. Insuring that people no longer have to pay this tax on the accumulation of assets, will encourage more people to accumulate assets. Further, a repeal will relieve tax pressure on those who may have the ability and desire to invest, in effect transferring this tax money to persons to make their own investment decisions, rather than allowing the State to keep the money for its own spending purposes. More money in the hands of Michigan taxpayers will result in more investment in Michigan's economy, producing more jobs.

Response: The repeal of the tax contains no guarantee that the foregone tax revenue will be invested in Michigan. Persons who will benefit from the repeal, particularly the wealthy, may invest this money in any state or nation they desire.

Supporting Argument

The single business tax bills remove from the tax base the cost to employers of workers' compensation, unemployment compensation, and Federal taxes, such as Social Security. This essentially will eliminate imposing the SBT on top of other taxes. Further, companies often have little or no control over these costs, so taking them out of the tax base will give businesses greater control over their tax burden. And, this aspect of the package will have the beneficial effect of reducing the cost to employers of adding workers, which is good for job creation, a key element in a healthy state economy.

Supporting Argument

Skyrocketing tuition costs in recent years have put the price of education beyond the reach of many. It has become evident that if tuition costs are not controlled in some manner, the availability of a higher education to Michigan students will further diminish. While the State has some influence with universities' governing boards in that it appropriates money to the institutions, the universities are autonomous authorities that can raise tuition any time they desire. Many people feel that colleges and universities too often have raised tuition in response to higher costs rather than searching for other options. In an attempt to address these problems, part of the tax cut package provides a credit against the income tax for undergraduate tuition expenses. The credit contains a restriction, however, that it may not be claimed for tuition paid to an institution of higher learning that increases tuition beyond the rate of inflation. It is hoped that the credit, besides offering direct income tax relief for tuition to those who pay it, will create a strong incentive for universities to keep tuition increases at or below the rate of inflation, and thus make college more affordable.

Opposing Argument

While the package has some appeal, in that it offers a broad-based method of returning excess revenues and will benefit nearly all taxpayers, the approach contains some dangers. Michigan's economy historically has endured periods of low or no growth resulting in reduced or stagnant State revenues. Currently, the economy is perking and

State revenues are following that trend, but the good times cannot be expected to last forever. By making permanent changes, the bills may have a substantial negative impact on the State's revenue in the future, especially in those years when the economy turns down. In the interest of fiscal responsibility, perhaps a better response to the temporary problem of excess revenue would be to craft a temporary solution.

Response: The State should do more than offer a one-time rebate of surplus revenue; instead, it should act decisively in favor of taxpayers. In the past, tax policy that resulted in the enrichment of State coffers usually meant the expansion of State government to accommodate disposal of the income. A permanent tax cut not only will put more money into the hands of taxpayers immediately, it also will help to prevent automatic expansion of State government in the future should the economy continue to grow.

Opposing Argument

This legislation comes up short. Part of the package makes changes to the single business tax to reduce business's tax burden. There are some who feel, however, that tax changes, particularly those designed to return surplus revenue, should concentrate on benefiting individuals and not businesses. Revenue from that portion of the package that goes to business should instead be used to expand the benefit to individuals, particularly people with families. The State should focus on reducing the income tax; it should provide a greater increase in the personal exemption, or perhaps create an extra exemption for taxpayers who can claim young dependents and thus target tax relief to families.

Response: Both businesses and individuals pay taxes. The bills must be looked at in the context of the entire package, which extends a balance of tax relief to businesses and individuals. While some believe, as argued above, that tax relief should be directed toward individuals, others point out that it is companies and employers that employ and pay the salaries of individuals, and therefore businesses must be included in this discussion of tax relief.

Opposing Argument

Repeal of the intangibles tax simply does not belong as a part of this package. The impetus behind the tax cut package is the need to dispose of surplus State revenue. This worthy effort should be directed to a broad section of the populace, instead of the approximately 100,000 taxpayers who are subject to the intangibles tax. In effect, repeal of the intangibles tax targets tax relief to a relatively small group of taxpayers, the richest of whom will receive a tremendous windfall. Adjustments to the intangibles tax to help those who are hurt by it could be addressed separately.

Response: The intangibles tax should be eliminated because it is a bad, unfair tax. The tax was created in 1939, long before the creation of the State income tax, and should have been repealed when the income tax started. Instead, it was allowed to stand and, nearly 30 years later, is still taxing people twice on the same investment income. Further, the application of the tax is a mess; it is widely acknowledged that many taxpayers simply don't know what the intangibles tax is and, having never heard of it, have no idea that it may apply to them. While there is no available information on the level of compliance with the tax, it can be said that the level likely is not high. A tax with a low compliance level is an unfair, ineffective tax, because it falls most heavily on the honest and the informed. Finally, regarding the notion that repeal of the tax provides great tax relief for the rich, it must be pointed out that, in terms of total dollars, the rich always benefit more than the poor from a tax cut because the rich pay more taxes.

Opposing Argument

The measure that grants an income tax credit for tuition payments contains a major flaw: Senate Bill 237 provides that the credit may not be claimed if the taxpayer paid the tuition to a university that increases tuition beyond the rate of inflation. Thus, this legislation bases the ability of a taxpayer to claim a deduction upon the behavior of a university's governing board; that is, it punishes the taxpayer if the institution raises tuition beyond the rate of inflation.

Further, it is unrealistic to expect that the bill will have a significant effect on the tuition cost decisions of universities. Few students, after enrolling in an institution, will be willing to change college programs based upon whether theyor their parents can claim an income tax credit. Institutions of higher learning, particularly private schools that receive no State appropriations, are autonomous entities that will make tuition cost decisions based upon their funding needs, rather than the ability of their students to claim a tax credit. Moreover, if a university's appropriations do not keep pace with inflation, the school should not be penalized for being forced to raise tuition beyond that rate.

Response: Restricting the credit to those universities that limit tuition increases is appropriate. If the legislation did not contain the restriction, universities could, without penalty, simply increase tuition rates to correspond to the limit of the credit, thus creating a backdoor increase in their appropriations. Further, adoption

of this credit may have a significant effect on universities' adoption of tuition increases.

Michigan State University recently pledged to keep tuition increases next year to the rate of inflation, and has been praised for its action. Faced with the real possibility of appearing to punish students if an institution increases tuition beyond the rate of inflation, the school might think twice about imposing such an increase.

Legislative Analyst: G. Towne

FISCAL IMPACT

The entire tax cut package will reduce taxes by an estimated $186 million in FY 1994-95 and $248 million in FY 1995-96. These tax cuts, which occur in the income tax, Single Business Tax, and intangibles tax, are summarized in Table 1. These tax cuts will reduce General Fund/General Purpose revenue by an estimated $171 million in FY 1994-95 and $226 million in FY 1995-96. The reduction in the income tax also will reduce the amount earmarked to the School Aid Fund by an estimated $10 million in FY 1994-95 and $13 million in FY 1995-96. In addition, the reduction in the income tax and the SBT will reduce revenue sharing by an estimated $5 million in FY 1994-95 and $9 million in FY 1995-96.

Table 1
Estimated Fiscal Impact of Tax Cut Bills
FY 1994-95 and FY 1995-96
(millions)

	FY 95	FY 96
Income Tax		
Personal Exemption	$ 69	$ 91
College Tuition Deduction	---	7
Subtotal	69	98
SBT		
Reduce Tax Base	74	105
Intangibles Tax		
Increase Credit	14	14
Phase-Out Tax	29	31
Subtotal	43	45
Total Tax Cut	$186	$248
Loss to Budget Areas:		
General Fund/General Purpose	171	226
School Aid Fund	10	13
Revenue Sharing	5	9
	$186	$248

Income Tax

House Bills 4231 and 4232 and Senate Bill 237

House Bill 4231, which increases the income tax personal exemption, will reduce income tax revenue by an estimated $69 million in FY 1994-95 and $91 million in FY 1995-96. Senate Bill 237, which creates the college tuition credit, will reduce income tax revenue by an estimated $7 million beginning in FY 1995-96. This estimate is based on the assumption that most public colleges and universities and all private colleges will not keep their tuition increases at or below the rate of inflation. The future cost of this credit will depend on the rate of inflation and the ability of the State's colleges and universities to keep their annual tuition increases at or below inflation.

These losses in revenue will have an impact on three areas of the State budget. General Fund/General Purpose (GF/GP) revenue will be reduced by an estimated $54 million in FY 1994-95 and $78 million in FY 1995-96. Under School Finance reform, 14.4% of gross income tax collections are earmarked to the School Aid Fund, so these bills will reduce School Aid Fund revenue by an estimated $10 million in FY 1994-95 and $13 million in FY 1995-96. A portion of income tax collections also is earmarked for revenue sharing with local governments. The reduction in income tax revenue that will result under the bills will

reduce revenue sharing payments by an estimated $5 million in FY 1994-95 and $7 million in FY 1995-96.

House Bill 4232 will index the personal exemption to the rate of inflation beginning in 1998. Under the indexing provisions in this bill, any increase in the personal exemption resulting from inflation will be rounded to the nearest $100 increment. Therefore, in order to increase the personal exemption in 1998 by $100, the inflation rate would have to be somewhere between 2% and 6%. In 1999, another $100 increase in the personal exemption would be generated by an inflation rate in the range of 2% to 5.7%.

In addition, there were provisions in House Bill 4231 that could have increased the personal exemption even higher if revenue estimates for FY 1994-95 were increased at the May 1995 Consensus Revenue Estimating Conference. For every $16 million that revenue estimates were increased, the personal exemption would have been increased by $50, up to a maximum increase of $250. The revenue estimates were not increased at the May 1995 conference, so no additional increase in the personal exemption was triggered.

The following table summarizes the revenue impact of these bills for FY 1994-95 through FY 1998-99.

Intangibles Tax

House Bill 4233

Increasing the intangibles tax credit from $175 to $280 for single returns and from $350 to $560 for joint returns, will reduce intangibles tax revenue each year by an estimated $14 million. These increases in the tax credits will raise the amount of earnings from intangible property that is exempt from the intangibles tax from $5,000 to $8,000 for single returns and from $10,000 to $16,000 for joint returns. Phasing out the tax under the schedule described above, will further reduce intangibles tax revenue by an estimated $29 million in FY 1994-95 and $31 million in FY 1995-96. As a result of these two reductions in the intangibles tax, total revenue will be cut by an estimated $43 million in FY 1994-95, $45 million in FY 1995-96, $79 million in FY 1996-97, and $115 million in FY 1997-98. These tax cuts will affect the State's General Fund/General Purpose (GF/GP) budget and potentially local governments. The revenue from the intangibles tax goes into the GF/GP budget, except for $9.5 million which is earmarked to cities, villages and townships as part of revenue sharing; however, this revenue sharing payment has not been made since FY 1991-92.

Table 2
H.B.s 4231 and 4232 and S.B. 237: Reduction in Income Tax
Estimated Revenue Impact, FY 1994-95 to FY 1998-99

Personal Exemption Increase:					
Calendar Year	1995	1996	1997	1998	1999
Current Law	$2,100	$2,100	$2,100	$2,100	$2,100
Proposed	2,400	2,400	2,500	2,600*	2,700*
Revenue Impact (millions)					
Fiscal Year	FY 94-95	FY 95-96	FY 96-97	FY 97-98	FY 98-99
Personal Exemption	$69	$91	$114	$141	$170
College Tuition Credit	0	7	7	7	7
Total Tax Cut	69	98	121	148	177
Revenue Loss by Fund:					
GF/GP	$54	78	96	118	140
School Aid	10	13	16	20	25
Revenue Sharing	5	7	8	10	12

*Estimated increases due to indexing to inflation.

Senate Bill 233

This bill will totally eliminate all revenue from the intangibles tax beginning in FY 1998-99. This loss in revenue will equal an estimated $155 million in FY 1998-99.

Senate Bill 29

This bill will have no fiscal impact on State or local government. Intangible personal property that is taxed under the intangibles tax is presently exempt from the general property tax. This bill will prevent intangible personal property from being taxed when the intangibles tax is repealed.

Table 3
H.B. 4233, S.B. 233 & 29: Phase-Out of Intangibles Tax
Estimated Revenue Impact FY 1994-95 to FY 1998-99
(dollars in millions)

	FY 95	FY 96	FY 97	FY 98	FY 99
Current Law					
Projected Revenue:	$130.5	$137.8	$143.3	$149.0	$155.0
Tax Cut Revenue Reduction					
Exemption Increase	14.0	14.0	14.0	14.0	---
Tax Phase Out Rate	25%	25%	50%	75%	100%
Revenue Reduction	29.1	31.0	64.7	101.3	155.0
Total Tax Cut	$43.1	$45.0	$78.7	$115.3	$155.0

Single Business Tax

House Bill 4230

This bill removes FICA taxes from the SBT base and will reduce SBT revenue by an estimated $52 million in FY 1994-95 and $74 million in FY 1995-96. The revenue loss in FY 1994-95 will affect General Fund/General Purpose revenue and in FY 1995-96 GF/GP revenue will be reduced by $72 million and revenue sharing will be reduced by $2 million.

Senate Bill 235

This bill removes unemployment insurance and workers' compensation insurance expenses from the SBT base and will reduce SBT revenue by an estimated $22 million in FY 1994-95 and $31 million in FY 1995-96. The revenue loss in FY 1994-95 will affect General Fund/General Purpose revenue and in FY 1995-96 GF/GP revenue will be reduced by $30 million and revenue sharing will be reduced by $1 million.

Table 4
H.B. 4230 & S.B. 235: Reduction in Single Business Tax
Estimated Revenue Impact FY 1994-95 and FY 1995-96
(millions)

	FY 94-95	FY 95-96
Reduction in Revenue:		
Eliminate from Tax Base payments for Social Security (FICA)	$ 52	$ 74
Workers' Compensation	16	23
Unemployment Insurance	6	8
Total Cut in SBT	$ 74	$105
Loss to Budget Areas:		
General Fund/General Purpose	$ 74	$ 102
Local Revenue Sharing	0	3
Total	$ 74	$105

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.