

Fiscal Note

BILL # SB 1281

TITLE: ~~technical correction; dentistry; permit-S/E~~ Subject: income tax; rebate

SPONSOR: Shamp

STATUS: As Amended by Senate FIN

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Description

The strike-everything amendment to SB 1281 requires the Arizona Department of Revenue (DOR) to issue a one-time individual income tax rebate equal to \$200 for single filers and \$400 to married filers. All resident taxpayers who filed a 2022 tax return qualify for a rebate.

The bill requires DOR to issue the rebates within 90 days after the general effective date.

Estimated Impact

We estimate that the bill would have a one-time General Fund cost of \$(936.0) million in FY 2024.

We are currently discussing with DOR the possible administrative costs of issuing a rebate.

Analysis

The bill provides an individual income tax rebate to filers who are residents of the state as of December 31, 2022 and file a tax return for Tax Year (TY) 2022. The \$200 rebate is for single filers and for individuals who elect the filing status married filing separately. Taxpayers who file as married filing jointly or as head of household receive a \$400 rebate.

Based on actual TY 2021 tax filing information provided by DOR, we estimate that there will be a total of 1,617,206 single and married filing separately filers for the 2022 taxable year. The corresponding total for married filing jointly and head of household filers is estimated to be 1,531,383. Based on these projections, we estimate that the total General Fund cost of the rebates would be \$(936.0) million in FY 2024.

DOR does not require individuals whose gross income is below certain levels (depending on their filing status) to file a state tax return. Insofar as the bill incentivizes individuals who are not required to file to do so to receive the tax rebate, there would be an additional cost.

Local Government Impact

Beginning in FY 2024, incorporated cities and towns will receive 18% of individual and corporate income tax collections from 2 years prior from the Urban Revenue Sharing (URS) Fund established by A.R.S. § 43-206. Therefore, the bill would have a one-time decrease in overall URS distributions to cities and towns of \$(168.5) million in FY 2026.

Based on our discussion with Legislative Council, the bill could potentially not affect the URS distribution. As a one-time rebate, the bill may be viewed as not changing the underlying income tax liability.

2/21/23

