Overview

This bill provides for an automatic rebate of biennium ending general fund surpluses. The rebate would be done in proportion to income tax liability in the prior year and would apply to 80% of the general fund surplus. The rest of the surplus would be deposited in the property tax reform account.

1 Automatic income tax rebate. Provides for 80% of large surpluses at the end of the biennium to be paid as an across the board income tax rebate. The provision is triggered if the two forecasts before the end of the biennium show a surplus of 0.5% or more of the general fund will be available. The exact amount is determined by the commissioner on July 15th after the close of the biennium.

The rebate is paid as a percentage of the prior year's individual income tax liability. For example, if the surplus on July 15, 2001 showed a qualifying surplus, the rebate would apparently be calculated on tax year 2000. The commissioner of revenue would simply pay each taxpayer a rebate to each taxpayer in proportion to the taxpayer's share of the total tax liability for relevant tax year. Payments are to be made beginning August 15th. However, the bill does not specify at what point interest would be paid on "late" rebates. Payments of rebates of less than $5 would not be made. For joint returns, the rebate check would be made out to both spouses. Rebates would not reduce liabilities for the penalty for underpayment of estimated tax liability.

The 20% of the surplus that is not rebated would be deposited in the property tax reform account. If the biennium ending surplus is less than the amount needed to trigger an income tax rebate, then all of the surplus would be deposited in the property tax reform account.

The rebate is subject to revenue recapture. For joint rebates, non-debtor spouses would apply to the claimant agency (not the department of revenue) to claim their shares of the rebates reduced by revenue recapture.

The rebate is an overpayment of tax for general tax law purposes.

Amounts necessary to pay the rebates are appropriated to the commissioner of revenue.
2 **Repealer.** Repeals the provision that allocates a portion of forecast surpluses for the November forecasts in odd numbered years to the property tax reform account.

3 **Effective date.** September 1, 1999. [Note: This bill was introduced during the 1999 legislative session. The 1999 legislature enacted a process for future rebates. This statute, section 16A.1522, should probably be repealed, if this bill go forward.]