

(Begin Belt #18)

You come up with a total available 1973-74 of 59.3. Now you go back on page 2 for just a moment, you look at the heading you will find that we're trying to figure out on this page the amount of income we have available and what would happen if we reduced the income tax 2% retroactive to January 1, 1973. So you take that income of 59.3, you take off the 2% income tax reduction, you take off the personal property tax relief on Legislative Bill 1241 that we passed last session and you take the amount of money that the Governor recommends in his capital construction bill, 18.4 reduced to a one-year burden and that's a little over 10 million, then you assume 20 million for state aid to education and assume that on the board we have \$3 million in legislation yet to be passed and you have a balance then by reducing the income tax retroactive to January 1 2%, leave the sales tax where it is, add \$20 million for state aid to education and you come up with an 8.5 balance, \$8.5 million. You turn to page 3 and this next page is an attempt to show what happens the following year, because you can't take just one year. We're talking about cash flow for at least two years. Still assuming that we have a 13% income tax rate and a 2½% income tax rate, we take the \$8.5 million balance from page 2, we get the revenue sharing that's now available. From now on on an annual basis 12.8, we plow back in that legal reserve that we had to take out by law, we add up the revenue that we assume will come from roughly 7% growth in miscellaneous taxes, 10% growth in sales, 12% individual income and a 10% corporate income tax and we get the estimated revenue for the 1974-75 fiscal year. Then you find the total there, then you take off the items that must come from the food tax credit and the income tax reduction and then you have finally available \$30.5 million and then you take off personal property tax, you take off capital construction and state aid and you come up with a minus \$11 million for the second year of this projection, 1974-75. Now, go to page 4 and all this does is to assume that we have a sales tax rate the same, the income tax rate is reduced from 15% to 10% as of January 1 1974 and you go through the total figures again, the 59.3, you come up with your reductions and reducing the income tax starting January 1, 1974 from 15 to 10, you come up with 11.8 and then you turn over to the next page, you go through these reductions and you find that at the end of the fiscal year 1974-75 you have a minus balance of over \$25 million. Now all, the only purpose of this is not to sell or unsell anything but simply to give you a little background information of what can be done if you want to take the income that's estimated at the moment, reduce the income tax somewhat, 2%, add \$20 million state aid or an amount near that and pass some legislation yet this session and this shows you what can be done with a 2% reduction on income and if you, on pages 4 and 5, if you want to go a 5% reduction you can see the position we're in by the end of the second year or a year from--well, it would be by the end of June 30, 1975. Mr. President, this is simply done to try to give the Legislature some background as you begin to consider education bills and also as you consider revenue bills.

SPEAKER: Senator Whitney.

SENATOR WHITNEY: Mr. President, members of the Legislature, I'd like to comment on this just a moment. I want to say that this year we're expecting considerable increasing in sales and income taxes, but this then presupposes that on top of this increase we're having that there will be a 7% growth in miscellaneous taxes, a 10% growth in sales taxes, a 12% growth in income taxes and a 10% growth in corporate income taxes. In my own judgment I would say that we'd be very, very lucky to have that much revenue come in on the basis of these rates that we have given here. In my judgment