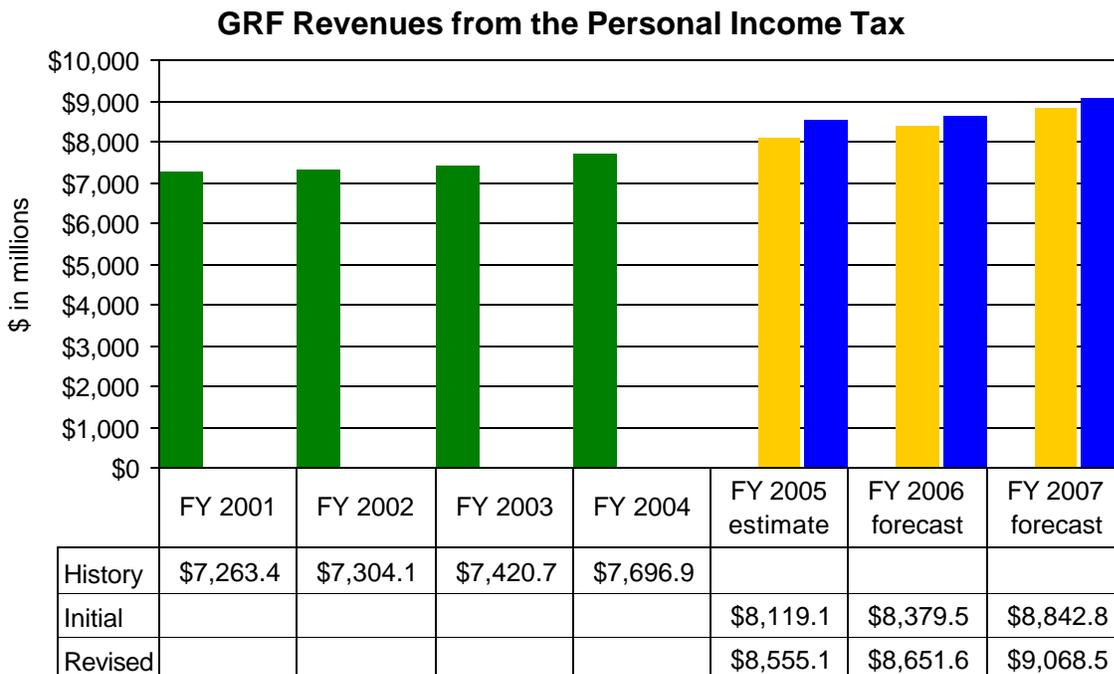


Personal Income Tax



The initial FY 2005 forecast for GRF revenue from the personal income tax was \$8,119.1 million, a 5.5% increase over FY 2004 revenues. For FY 2006, GRF revenue was projected to be \$8,379.5 million, a 3.2% increase over the projected revenue for FY 2005, and for FY 2007, GRF revenue was projected to be \$8,842.8 million, a 5.5% increase over the projected revenue for FY 2006.

In the revised forecast, GRF revenue from the personal income tax for FY 2005 is estimated to be \$8,555.1 million, a 5.4% increase over the initial estimate, and 11.2% greater than FY 2004 GRF revenue. GRF revenue for FY 2006 is projected to be \$8,651.6 million, a 3.2% increase over the initial forecast, and an increase of 1.2% over FY 2005.¹ GRF revenue for FY 2007 is projected to be \$9,068.5 million, a 2.6% increase over the initial forecast, and an increase of 4.8% over FY 2006.

The forecast was changed to reflect stronger than expected performance in FY 2005, and increased estimates for future wage and income growth. In FY 2005, receipts from the personal income tax have been much higher than projected, which is mainly due to quarterly estimated payments and tax dues being well above estimate for the year.

The proposed budget affects the personal income tax by reducing total revenue by an estimated \$325.6 million in FY 2006 and \$656.3 million in FY 2007. The reductions in

¹ Total revenue will increase an estimated 3.1% in FY 2006, but because of the end of the Local Government Fund freeze, the GRF will receive less revenue than it would if the freeze was still in effect.

revenue result from the 21% reduction, over five years, in the personal income tax rates and the tax credit for taxpayers earning under \$10,000 per year. Additions to personal income tax revenue include: renewing the trust tax, eliminating the deduction for college tuition, and delaying the indexing of the tax brackets until 2010.