(Node 1) Does the tax cut induce private sector spending and/or State spending reductions?

No
Yes

Node 2. Presuming the $50 million FY 13 tax cut induces $100 million in private investment and labor spending, the initial FY 13 static revenue effect of $50 million becomes -$42.7 million when accounting for induced private sector spending.

Will the State reduce appropriations because of the tax rate reductions?
No
Yes

Node 3. Presuming the State reduces spending by the amount given in Node 2 (-$42.7 million in the initial year), the bottom line revenue effect becomes -$48.2 million in the initial year.

Will local governments respond by asking for tax increases?
No
Yes

Node 4. Presuming local governments get approval for property tax increases, the bottom line revenue effect becomes -$45.9 million in FY 13 versus the original static impact of -$50 million.

Notes/Assumptions:
1. Multipliers depend upon such things as interest rates, economic conditions, consumer confidence, expected taxation, reactions from competitors, and many others. Because multipliers are not constant and depend upon the size of a tax cut/tax increase (non-linear), I think we would need to continually update estimates of non-linear multipliers a couple times a year.
2. General Fund revenue impact includes earmarks.

Staff resources: use of a dynamic multiplier system, use of econometric modeling of estimated effects, subscriptions to certain databases, and/or surveying of affected parties.

Staff resources: use of a dynamic multiplier system, use of econometric modeling of estimated effects, subscriptions to certain databases, and/or surveying of affected parties.

Staff resources: use of a dynamic multiplier system, use of econometric modeling of estimated effects, subscriptions to certain databases, and/or surveying of affected parties.