

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 88** HLS 15RS 614

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 23, 2015 2:58 PM	Author: NORTON
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: 50% of Excess Federal Itemized Deduction	

TAX/INCOME TAX OR +\$323,000,000 GF RV See Note Page 1 of 1
Repeals the individual income tax deduction for excess federal itemized personal deductions

Current law allows a deduction from gross income for 100% of excess federal itemized deductions. This state deduction is the difference between a taxpayers total federal itemized deductions and the federal standard deduction.

Proposed law eliminates the deduction for excess federal itemized deductions.

Effective for all tax years beginning on and after January 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$323,000,000	\$323,000,000	\$323,000,000	\$323,000,000	\$323,000,000	\$1,615,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$323,000,000	\$323,000,000	\$323,000,000	\$323,000,000	\$323,000,000	\$1,615,000,000

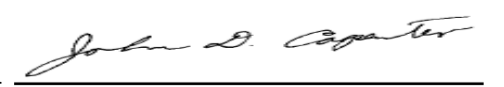
EXPENDITURE EXPLANATION

The Department of Revenue will incur some costs associated with preparing tax forms (hardcopy and online) for this change, as well as changes in tax instructions. These costs might be several thousand dollars of staff time for modifications and testing.

REVENUE EXPLANATION

Based on a micro-simulation model of the state personal income tax, processing 2012 tax return data, elimination of the deduction for excess federal itemized deductions would increase aggregate income tax liabilities by some \$323 million. This change in liabilities would first be realized on returns filed in the spring of 2016 and, if no changes are made to withholding tables by the Department of Revenue or to withholding behavior by taxpayers, each spring filing period thereafter. If withholding tables or the behavior of taxpayers changes, the timing of a portion of these receipts could shift across fiscal years.

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|--|----------------------------|-------|--|
| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |


John D. Carpenter
Legislative Fiscal Officer