

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 90** HLS 15RS 345

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 31, 2015 10:40 AM	Author: RITCHIE
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Reduce Excess Federal Itemized Deduction	

TAX/INCOME TAX OR +\$77,000,000 GF RV See Note Page 1 of 1
Reduces the amount of the individual income tax deduction for excess federal itemized personal deductions for certain tax years

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 reduces the deduction for excess federal itemized deductions to 75% of its value for tax years 2015, 2016, 2017. The deduction returns to 100% beginning wit tax year 2018.

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.	\$77,000,000	\$77,000,000	\$77,000,000	\$0	\$0	\$231,000,000
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	\$77,000,000	\$77,000,000	\$77,000,000	\$0	\$0	\$231,000,000

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, allowing only a 75% deduction for excess federal itemized deductions would increase aggregate income tax liabilities by some \$77 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 subsequent spring filing period in 2017 and 2018. 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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|--|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <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