

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2456-01
BILL NO.: SB 695
SUBJECT: Revenue Dept.; Taxation and Revenue-General-Income
TYPE: Original
DATE: February 10, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	\$0	\$0
Outstanding Schools Trust	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(\$351,500,000)	(\$372,600,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this proposal eliminates the limit on the individual federal income tax deduction on January 1, 2001. This proposal will have little or no administrative impact to the Department of Revenue.

In a similar proposal officials of the **Office of Administration (COA)** stated this proposal restores the full federal income tax deduction for individual income taxpayers.

COA staff state that their estimate for restoring the full federal income tax deduction is from the FY 2002 Consensus Revenue Forecast and Budget and Planning's Individual Income Tax Simulator. The amount of the revenue loss is (\$351.5 million) in FY 2002 and (\$372.6 million) in FY 2003. COA stated the revenue reductions from this proposal would require an equivalent amount of General Revenue in order to fully fund the Foundation Formula. A six percent growth rate was assumed.

Oversight will reflect the impact of this proposal as a loss to local school districts.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Increase in Federal Income Tax Deduction	\$0	(\$351,500,000)	(\$372,600,000)
<u>Savings to General Revenue Fund</u>			
Reduction in funds transferred to Outstanding Schools Trust Fund	\$0	\$351,500,000	\$372,600,000
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

OUTSTANDING SCHOOLS TRUST FUND

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Loss to Outstanding Schools Trust Fund</u>			
Increase in Federal Income Tax Deduction	\$0	(\$351,500,000)	(\$372,600,000)
<u>Savings Outstanding Schools Trust Fund</u>			
Reduction in funds transferred to local school districts	\$0	\$351,500,000	\$372,600,000
ESTIMATED NET EFFECT TO OUTSTANDING SCHOOLS TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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SCHOOL DISTRICTS

<u>Loss to Local School Districts</u>			
Reduction in funds transferred from The Outstanding Schools Trust Fund	\$0	(\$351,500,000)	(\$372,600,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>(\$351,500,000)</u>	<u>(\$372,600,000)</u>

FISCAL IMPACT - Small Business

Small business would be expected to be fiscally impacted to the extent that they pay income taxes. The increase in the federal income tax deduction would cause small businesses to pay less income tax.

DESCRIPTION

Current law limits the deduction for federal income taxes paid by individuals to \$5,000 for single

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filers and \$10,000 for married couples filing a combined return. This act removes those limitations and allows full deductibility of federal income taxes for individuals beginning January 1, 2001.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration



Jeanne Jarrett, CPA
Director
February 10, 2000