

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 311** HLS 17RS 995
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 19, 2017 7:02 PM	Author: SHADOIN
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Income Tax - Federal Income Tax Deduction	

TAX/INCOME TAX OR SEE FISC NOTE See Note Page 1 of 1
 Eliminates the deductibility of federal income taxes paid from state individual and corporate income taxes

Present law provides that federal income taxes paid shall be allowed as a deductible item in computing state income taxes for both individuals and corporations.

Proposed law removes this deduction for both individual and corporate income tax.

Applicable for all tax periods beginning on and after January 1, 2018.

Contingent upon an unspecified constitutional amendment contained in a House Bill of this session.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. The bill removes the federal income tax deduction provided for in statute, but is still contingent upon a constitutional amendment that would eliminate the requirement for such a deduction. Should the requirement for the deduction be removed from the constitution, this bill by itself would expand the individual and corporate income tax bases.

For information purposes, a micro-simulation model of the individual income tax processing 2015 tax return data indicates that elimination of the deduction for individual income tax (with no other tax changes) would increase annual aggregate state tax liabilities by some \$796 million.

Based on tax year simulations of corporate tax filers provided by the Dept. of Revenue, if the statutory federal taxes paid deduction were eliminated for corporate income tax (with no other tax changes), approximately \$160 million of additional annual corporate tax liability would occur.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer