

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 46** SLS 21RS 220

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 14, 2021	7:00 PM	Author: LAMBERT
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Individual Income Tax Military Pay Exclusion		

TAX/INCOME/PERSONAL OR -\$3,800,000 GF RV See Note Page 1 of 1
Increases the amount of compensation excluded from tax table income for certain active duty members of the armed forces. (gov sig)

Current law allows an exclusion from taxable income up to \$30,000 of compensation paid to active duty members of the armed forces with 120 consecutive days of service performed outside the state.

Proposed law increases the exclusion amount to \$50,000, for tax years beginning on or after January 1, 2022.

Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$3,800,000)	(\$3,800,000)	(\$3,800,000)	(\$3,800,000)	(\$15,200,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	(\$3,800,000)	(\$3,800,000)	(\$3,800,000)	(\$3,800,000)	(\$15,200,000)

EXPENDITURE EXPLANATION


Only minor tax system processing changes and testing will be required to incorporate the new exclusion level of the bill.

REVENUE EXPLANATION

The military pay exclusion, at \$30,000 of compensation, has reduced state tax collections in each of three prior fiscal years by \$5.8M in FY17, \$6.2M in FY18, and \$6.4M in FY19. The bill increases the exclusion to \$50,000. This increases the state fiscal exposure by some 2/3, or \$4.3M, based on the FY19 revenue loss. However, the Dept of Revenue reports that of the 2019 tax year returns, 8,885 returns claimed the exclusion, with 4,216 of them paying \$3.8M of income tax after the exclusion. While it is possible for some military pay that is eligible for the exclusion to exceed the new threshold of \$50,000 provided by the bill, it seems likely that essentially all of the remaining amount of tax payment from these individuals will be eliminated as a result of the bill.

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}


Christopher A. Keaton
Legislative Fiscal Officer