

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 704** HLS 13RS 1345

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 3, 2013	1:46 PM	Author: JACKSON, K
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Limit Federal Tax Deductibility		

TAX/INCOME TAX OR +\$462,000,000 GF RV See Note Page 1 of 1
Limits the amount of the deduction allowed for federal income taxes paid for purposes of computing the state tax on the net income of individuals

Current law (both these statutes and the State Constitution) require federal income taxes paid as a deduction from taxable income for state tax purposes.

Proposed law statutorily limits the deduction to \$5,000 of federal tax paid.

Effective on January 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$462,000,000	\$462,000,000	\$462,000,000	\$462,000,000	\$1,848,000,000
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	\$0	\$462,000,000	\$462,000,000	\$462,000,000	\$462,000,000	\$1,848,000,000

EXPENDITURE EXPLANATION

The Department of Revenue will incur costs involved in modifying its systems dealing with the individual income tax. Taxpayer education and compliance support expenses may also be incurred. These costs should be relatively minor and one-time in nature.

REVENUE EXPLANATION

The effect of this bill on aggregate tax liabilities of tax filers (resident and nonresident) is calculated utilizing a personal income tax micro-simulation model processing actual tax year 2011 state tax return data. In the model the federal tax paid deduction is limited to a maximum of \$5,000 for all filers. The result is tax liabilities that are \$462 million greater with the limitation of this bill than without.

The January 1, 2014 effective date implies that this limitation will first apply to tax year 2014, with returns filed in the spring of 2015. Thus, the first fiscal year of effect will be FY15.

Due to growth in incomes and almost annual changes in federal tax law, actual revenue gains will differ from those above, but are likely to be somewhat greater than estimated above.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {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