

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 553** HLS 15RS 1254

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--|---------|-------------------------------|
| Date: April 6, 2015 | 5:47 PM | Author: JAMES |
| Dept./Agy.: Revenue | | Analyst: Greg Albrecht |
| Subject: Reduce Excess Federal Itemized Deduction | | |

TAX/INCOME TAX

OR +\$161,500,000 GF RV See Note

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Reduces the amount of the individual income tax deduction for excess itemized personal deductions

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 50% of its value.

The bill amends statutory language "For all tax years beginning on and after January 1, 2015", but Section 2 of the bill states that it becomes effective for all taxable periods beginning on and after January 1, 2016.

| 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 | <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 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 5 -YEAR TOTAL |
| State Gen. Fd. | SEE BELOW | \$161,500,000 | \$161,500,000 | \$161,500,000 | \$161,500,000 | \$646,000,000 |
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | | \$161,500,000 | \$161,500,000 | \$161,500,000 | \$161,500,000 | \$646,000,000 |

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.

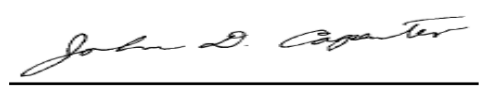
REVENUE EXPLANATION

Based on a micro-simulation model of the state personal income tax, processing 2012 tax return data, allowing only a 50% deduction for excess federal itemized deductions would increase aggregate income tax liabilities by some \$161.5 million.

The bill appears to contain ambiguous effectiveness language. If the bill first applies to tax year 2015, this change in liabilities would first be realized on returns filed in the spring of 2016. If the bill first applies to tax year 2016, this change in liabilities would first be realized on returns filed in the spring of 2017.

If changes are made to withholding tables by the Department of Revenue or to withholding behavior by taxpayers, the timing of a portion of these receipts could shift across subsequent 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