



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: HB 782 HLS 05RS 1269
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Sub. Bill For.:
Proposed Amd.:

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TAX/INCOME TAX OR -\$26,000,000 GF RV See Note Page 1 of 1
Provides for the deductibility of federal itemized income taxes

Grants a deduction for excess federal itemized deductions to all taxpayers that itemize on their federal income tax returns. Phases in the deduction evenly over a ten year period beginning with tax year 2007 (FY08 revenue effect). For tax year 2016 and subsequent periods (FY17 revenue effect) 100% of excess federal itemized deductions shall be allowed.

Effective upon governor's signature.

Table with 7 columns: EXPENDITURES, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

The Department of Revenue reports that it may require additional positions to handle additional taxpayer assistance and compliance as a result of the multi-year changes to the tax filing requirements involved in this bill.

REVENUE EXPLANATION

The revenue losses estimated above are based on a personal income tax simulation model processing 2003 tax year data. That model estimates that granting the full excess federal itemized deduction would reduce 2003 tax liabilities by \$217 million.

In the subsequent seven years of the phase-in, the annual accumulating revenue losses would be: FY11 \$120 million, FY12 \$158 million, FY13 \$198 million, FY14 \$243 million, FY15 \$291 million, FY16 \$343 million, and FY17 \$399 million.

According to the Department of Revenue, it is unlikely that withholding requirements will be changed for a tax law change affecting less than a quarter of the taxfiler population, as this bill does.

It should be noted that the choice of growth rate can substantially influence the fiscal note projections. This bill only addresses excess itemized deductions. With federal marriage penalty relief starting in 2003, and assuming that relief is permanently retained, the underlying growth of this bill's impact is assumed to be most appropriately projected by the growth in total itemized deductions.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

[X] 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Signature of H. Gordon Monk, Acting Legislative Fiscal Officer