

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0337-01  
Bill No.: HB 64  
Subject: Taxation and Revenue - Income; Revenue Dept.  
Type: Original  
Date: January 27, 2009

---

Bill Summary: Would lower Missouri individual income tax rates and increase the federal income tax deduction for individuals.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	(\$102,200,000)	(\$102,200,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$102,200,000)</b>	<b>(\$102,200,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

---

## **FISCAL ANALYSIS**

---

### ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP), assume there would be no added cost to their organization as a result of this proposal. BAP officials stated that the proposal would make changes to marginal individual income tax rates and would increase federal tax deduction. This proposal would lower general and total state revenues. BAP deferred to EPARC for an estimate of reduced revenues.

Officials from the **Department of Revenue** (DOR) assume this proposal would reduce Missouri personal income taxes for tax years beginning on or after January 1, 2010. The proposal would establish a new tax table for Missouri residents earning more than \$3,000, with a maximum rate of 5%; and would increase the federal tax deduction for individuals to \$10,000 for single filers and \$20,000 married filing combined. DOR officials stated that individual income tax form and instruction changes would be required, withholding form and instruction changes would be required, and changes would be required to the MINITS and Speed-up systems. In addition, DOR officials assumed the proposal would reduce state revenues.

DOR officials did not anticipate a fiscal impact due to this legislation.

DOR provided an estimate of the IT cost to implement the proposal, which was prepared by the Office of Administration, Information Technology Services Division (ITSD/DOR) due to the Statewide Information Technology Consolidation. DOR officials stated that if the legislation is Truly Agreed to and Finally Passed, the IT costs shown would be requested through appropriations for by ITSD/DOR.

ITSD/DOR estimated that this legislation could be implemented utilizing two existing CIT III for 2 months to make system modifications to MINITS at a total cost of \$17,764. ITSD/DOR assumes the IT portion of this proposal could be accomplished with existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement.

**Oversight** assumes the proposal could be implemented with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the ITSD workload are implemented, additional resources could be requested through the budget process.

ASSUMPTION (continued)

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC) assume this proposal would lower the Missouri individual income tax rates and increase the federal tax deduction for the individual income tax. Specifically, it would lower tax rates and would increase the deduction limit for an individual taxpayer's federal income tax liability from \$5,000/\$10,000 for single/combined returns respectively, to \$10,000/\$20,000 for single/combined returns respectively.

Based on information from Missouri 2007 personal income tax returns, EPARC officials estimated that the proposal would reduce personal income tax and state revenues by \$102.2 million per year.

**Oversight** notes that this proposal would be effective for tax years beginning after January 1, 2010, which would be filed in 2011. Oversight assumes that FY 2010 revenues could be reduced beginning in January 2010 as a result of changes to the withholding tax tables issued by DOR; however, Oversight assumes that the revenue reduction for FY 2010 would be minimal. For the purposes of this fiscal note, Oversight will use the EPARC estimate of revenue reduction and will include the entire first year revenue reduction in FY 2011.

**This proposal would reduce total state revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - changes to personal income tax rates and deductions	\$0	(\$102,200,000)	(\$102,200,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(\$102,200,000)</u></b>	<b><u>(\$102,200,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

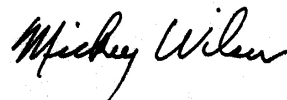
### FISCAL DESCRIPTION

This proposal would lower Missouri individual income tax rates and increase the federal income tax deduction for individuals.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of Administration  
Division of Budget and Planning  
Department of Revenue  
University of Missouri  
Economic Policy Analysis and Research Center



Mickey Wilson, CPA  
Director  
January 27, 2009