

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0337-03
Bill No.: HCS for HB 64 & 545
Subject: Taxation and Revenue - Income; Revenue Dept.
Type: Original
Date: April 16, 2009

Bill Summary: Would lower Missouri individual income tax rates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	(\$366,500,000)	(\$366,500,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$366,500,000)	(\$366,500,000)

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

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

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

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

☐ 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).

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

FISCAL ANALYSIS

ASSUMPTION

Although they did not respond to our request for information, officials from the **Office of Administration, Division of Budget and Planning** (BAP), assumed there would be no added cost to their organization as a result of a previous version of this proposal. BAP officials stated that the proposal would make changes to marginal individual income tax rates. This proposal would lower general and total state revenues. BAP deferred to EPARC for an estimate of reduced revenues.

Although they did not respond to our request for information, officials from the **Department of Revenue** (DOR) assumed previous version of 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 with a maximum rate of 5%. 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 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, 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

If enacted, this bill would lower the Missouri individual income tax rates, increase the federal tax deduction, and increase the dependency deduction for individual income tax filers. Specifically, it would increase the Missouri deduction limits for federal income tax paid from the current \$5,000 single/\$10,000 joint to \$7,500 single/\$15,000 joint, increase the deduction for each dependent from \$1,200 to \$1,600, and lower tax rates and income ranges.

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 \$366.5 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
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - changes to personal income tax rates, exemptions, and federal income tax deduction.	\$0	<u>(\$366,500,000)</u>	<u>(\$366,500,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$366,500,000)</u>	<u>(\$366,500,000)</u>

FISCAL IMPACT - Local Government

FY 2010
(10 Mo.)

FY 2011

FY 2012

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

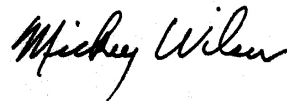
FISCAL DESCRIPTION

This proposal would lower Missouri individual income tax rates.

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



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Director
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