

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4411-03
Bill No.: HB 1941
Subject: Elderly; Revenue Department; Taxation and Revenue
Type: Original
Date: March 20, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$42,139,235)	(\$42,142,618)	(\$42,146,228)
Total Estimated Net Effect on General Revenue Fund	(\$42,139,235)	(\$42,142,618)	(\$42,146,228)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this legislation would add a line to the MO-A and potentially increase the number of eligible filers. Taxpayers who claim this deduction will need to include a copy of their federal return for verification. Personal Tax will require 4 Temporary Tax Employees for key-entry including the 1040, PTC, and 1040P returns. Personal Tax will also require two Tax Processing Technician I for every 19,000 additional errors, and one Tax Processing Technician I for every additional 2,400 pieces of correspondence.

In summary, DOR assumes the need for three additional FTE Tax Processing Tech I (each at \$22,992 annually) plus four tax season temporary employees. DOR assumes the total cost of the additional employees would be roughly \$145,000 annually.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume this excludes social security benefits from Missouri Adjusted Gross Income for senior citizens that are over age 65 with single incomes under \$20,000 or joint incomes under \$40,000. BAP defers to MU-EPARC for an estimate of the impact of this proposal, which will reduce general and total state revenues.

ASSUMPTION (continued)

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (MU-EPARC)** state the purpose of this bill is to exclude social security benefits from Missouri taxable income. More specifically, the bill seeks to take federal adjusted gross income and subtract social security benefits if (i) the filer is married, at least 65 years old and earns less than \$40,000 per year; or (ii) if the filer is single, at least 65 years old and earns less than \$20,000 per year.

Under current law, UM-EPARC calculates the total taxes due equal \$3.831 billion, while under this proposal, the total taxes due would fall to \$3.789 billion. In other words, general revenues would fall by \$42 million if this proposal would become law.

Oversight will utilize UM-EPARC's estimates for the reduction in annual tax collections.

This proposal would reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Costs</u> - Department of Revenue			
Personal Service (3 FTE)	(\$58,917)	(\$72,468)	(\$74,280)
Fringe Benefits	(\$25,959)	(\$31,929)	(\$32,728)
Tax Season Temporaries	(\$28,800)	(\$29,520)	(\$30,258)
Expense and Equipment	<u>(\$25,559)</u>	<u>(\$8,701)</u>	<u>(\$8,962)</u>
<u>Total Costs</u> - DOR	(\$139,235)	(\$142,618)	(\$146,228)
<u>Loss</u> - Department of Revenue			
Income tax deduction for social security benefits for those 65 years and older with incomes below \$40,000 (combined) or \$20,000 (single)	<u>(\$42,000,000)</u>	<u>(\$42,000,000)</u>	<u>(\$42,000,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$42,139,235)</u>	<u>(\$42,142,618)</u>	<u>(\$42,146,228)</u>

FISCAL IMPACT - Local Government

FY 2007
(10 Mo.)

FY 2008

FY 2009

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

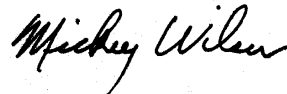
DESCRIPTION

This proposal authorizes a deduction for federal Social Security benefits from Missouri taxable income for married taxpayers who are 65 years of age or older with an annual combined income of less than \$40,000 or a single taxpayer who is 65 years of age or older with an annual income of less than \$20,000 if the Social Security benefits are included in the taxpayer's federal adjusted gross income.

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

Department of Revenue
Office of Administration - Budget and Planning
University of Missouri



Mickey Wilson, CPA
Director
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