

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4520-01
Bill No.: HB 1649
Subject: Elderly; Retirement Systems and Benefits - General; Revenue Department
Type: Original
Date: April 18, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	(\$11,000,000)	(\$11,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$11,000,000)	(\$11,000,000)

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 of the **Public School and Non-teacher School Employee Retirement Systems of Missouri**, the **Firemen's Retirement System of St. Louis**, **Kansas City Police Retirement**, the **Sheriffs' Retirement System**, the **Police Retirement System of St. Louis**, the **Public School Retirement System of the School District of Kansas City**, **LAGERS**, and the **County Employees' Retirement System** assume this proposal would not fiscally impact their agencies.

Officials of the **Department of Revenue (DOR)** state they would expand the instructions for the pension exemption worksheet. This along with the "65 and over" check box will allow the MINITS system to verify and edit. DOR assumes no FTE would be needed.

DOR states this proposal will require modifications to the individual income tax systems. Taxation estimate these modifications will require MINITS programming costs of \$46,170. DOR proposes to cover these costs with current IT staff. DOR states that effective July 1, 2006, DOR's IT staff will be moved to OA pursuant to a consolidation, but DOR has no reason to believe this transfer will limit their ability to absorb these costs. In the event multiple new credits/deductions are passed, this cost could exceed current appropriations levels and result in additional funds being requested.

ASSUMPTION (continued)

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume there would be no added cost to their office as a result of this proposal. BAP states the proposal allows a full \$6,000 retirement benefit deduction for taxpayers over age 65 regardless of income. BAP defers to UM-EPARC for a precise estimate of the impact of this proposal.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (MU)** state in this proposal, the individual taxpayer would be permitted to deduct up to \$6,000 from retirement and pension income if 65 years or older. Correspondingly, joint filers would deduct up to \$12,000 per combined return. The existing law has means testing in order to obtain the deduction to pension income. MU states that gross tax receipts are predicted to fall by \$11 million if the proposal is adopted.

This legislation will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Loss</u> - General Revenue			
Pension Exemptions (65 yrs and older)	\$0	(\$11,000,000)	(\$11,000,000)
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$11,000,000)</u>	<u>(\$11,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
	<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.

DESCRIPTION

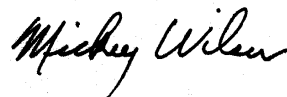
Currently, a public or private retiree may deduct up to \$6,000 of pension allowances received each year if his or her income is not in excess of \$32,000 for married taxpayers or \$25,000 for single taxpayers. This proposal would remove the income limitation when a taxpayer reaches the age of 65, allowing the full \$6,000 of retirement benefits to be deducted from state income tax regardless of income. Taxpayers younger than 65 years of age would still be allowed the \$6,000 benefit deduction subject to the income limitations.

The bill has an effective date of January 1, 2007.

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
Economic and Policy Analysis Research Center
Public School and Non-Teacher School Employee Retirement Systems of Missouri
Firemen's Retirement System of St. Louis
Kansas City Police Retirement
Sheriff's Retirement System
Public School Retirement System of the School District of Kansas City
LAGERS
County Employee's Retirement System



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