

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3242-01
Bill No.: HB 1225
Subject: Children and Minors; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: January 22, 2010

Bill Summary: Would increase the Missouri dependency exemption from \$1,200 to \$1,500 for each qualified dependent claimed by a resident.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$23,800,000)	(\$23,800,000)	(\$23,800,000)
Total Estimated Net Effect on General Revenue Fund	(\$23,800,000)	(\$23,800,000)	(\$23,800,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Revenue (DOR)** assume this proposal would not have a fiscal impact on their organization; however, DOR anticipates that modifications to individual income tax forms and the Missouri Individual Income Tax System (MINITS) would be required.

DOR assumes this legislation would have a large, negative impact on total state revenues. There were 1,860,134 dependents claimed on 1,034,297 returns for 2008 and 1,913,729 dependents claimed on 1,066,120 returns for 2007. Based on the 2008 filing, this legislation would result in an approximate reduction of \$75 million dollars in tax revenues.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center (EPARC)** stated that the proposal, if enacted, would increase the Missouri dependency exemption from \$1,200 to \$1,500. EPARC prepared a simulation of the proposal using state income tax data for 2008 returns (FY 2009) and calculated the proposed changes would reduce Missouri personal income tax from the baseline of \$4,982.2 million to \$4,958.4 million, a reduction of \$23.8 million.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

Oversight will use the EPARC estimate of revenue reduction..

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Revenue reduction</u>			
Increase in personal exemption amount	<u>(\$23,800,000)</u>	<u>(\$23,800,000)</u>	<u>(\$23,800,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$23,800,000)</u>	<u>(\$23,800,000)</u>	<u>(\$23,800,000)</u>

FISCAL IMPACT - Local Government

FY 2011
(10 Mo.)

FY 2012

FY 2013

\$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 increase the Missouri dependency exemption from \$1,200 to \$1,500 for each qualified dependent claimed by a resident.

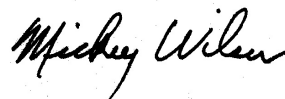
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Department of Revenue
University of Missouri
Economic and Policy Analysis Research Center

NOT RESPONDING

Office of Administration
Division of Budget and Planning



Mickey Wilson, CPA
Director
January 22, 2010