

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2212-02  
Bill No.: HB 751  
Subject: Military Affairs; Revenue Department; Taxation and Revenue - General; Taxation and Revenue - Income  
Type: Original  
Date: May 6, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Public Safety, Office of Adjutant General (OAG)** assume there would be no fiscal impact on the OAG or the Missouri National Guard as a result of this proposal. The OAG states this proposal would benefit members of the Missouri National Guard and military serving in combat zones by providing state tax relief and reward those military personnel for their service to the state and nation. The OAG states although not quantifiable, passage would benefit Missouri National Guard retention programs.

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume HB 751 should not result in additional costs or savings to BAP. BAP assumes the impact to Total State Revenue (TSR) is as stated below:

143.121.3(f) Technical change. Current law refers to Section 144.747, RSMo, which does not exist. Exempts from state individual income tax any capital gains resulting from the "sale of a low-income project subsidized by the federal Department of Housing and Urban Development" (as defined in Section 135.357) that would otherwise be included in Federal AGI. BAP assumes this will have a negative effect on TSR. BAP defers to DOR for an estimate of this impact.

143.121.3(h) Exempts from state individual income tax any income received for military service in a combat zone after January 1, 2003, and not already excluded from federal adjusted gross

ASSUMPTION (continued)

income. BAP assumes this will have a negative effect on TSR. BAP defers to DOR for an estimate of this impact.

Officials of the **Department of Revenue (DOR)** state this legislation exempts military pay received while in a combat zone from Federal Adjusted Gross Income (FAGI). DOR believes that the IRS already excludes military pay in a combat zone from FAGI on the federal return. Therefore, the income will be excluded on the federal return and a Missouri subtraction will not be needed. There is no additional administrative impact to DOR.

**Oversight** assumes since combat pay is not included in military personnel's Federal Adjusted Gross Income, it is currently not taxed by Missouri. Therefore, **Oversight** will show the impact of this proposal as zero.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<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

This proposal allows as a deduction from state individual income tax any income received for military service in a combat zone, as defined in the proposal. The deduction would apply to all taxable years beginning on or after January 1, 2003.

DESCRIPTION (continued)

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 -  
Division of Budget and Planning  
Department of Public Safety -  
Office of the Adjutant General



MICKEY WILSON, CPA  
DIRECTOR  
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