

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3216-01
BILL NO.: HB 1246
SUBJECT: Revenue Dept.; Taxation and Revenue-General-Income
TYPE: Original
DATE: January 24, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$92,513,219)	(\$387,390,000)	(\$405,597,330)
Total Estimated Net Effect on <u>All</u> State Funds	(\$92,513,219)	(\$387,390,000)	(\$405,597,330)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal would decrease the income tax rate tables by one-half of one percent.

ADMINISTRATIVE IMPACT:

The proposal would require modifications to the income tax system. The Division of Taxation and Collections estimates the modifications, including programming changes, would require 432 hours of overtime at a cost of \$10,404. Modifications to the income tax return and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$2,815 would be requested.

Officials from the **Office of Administrative (COA)** state the estimate is based on data from Budget and Planning's income tax simulator and the Consensus Revenue Estimate. COA estimates the loss to General Revenue to be \$0 in FY 2001, \$420,900,000 in FY 2002, and \$450,400,000 in FY 2003.

University of Missouri Research Center states their estimate is based on 1998 income tax data. University staff estimates the loss to General Revenue to be \$370 million in 2001. A growth rate of 4.7% was assumed.

Oversight, for purposes of this fiscal note, has reflected the estimate provided by the University of Missouri Research Center.

Oversight estimates a loss to the General Revenue Fund of \$92,500,000 for FY 2001 due to the possibility of reduced withholding and estimated income tax payments for five months of calendar year 2001. **Oversight** assumes 25% of Missouri taxpayers would adjust payments, however it should be noted that this amount could be less depending on taxpayer's awareness of the decrease in income tax rates in determining state income tax and their desire to adjust withholdings or estimated payments.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
---	--------------------	---------	---------

GENERAL REVENUE FUND

<u>Loss to General Revenue Fund</u>			
Reduction of income tax rates	(\$92,500,000)	(\$387,390,000)	(\$405,597,330)

<u>Cost - Department of Revenue</u>			
Reprogramming costs	(\$13,219)	\$0	\$0

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$92,513,219)</u>	<u>(\$387,390,000)</u>	<u>(\$405,597,330)</u>
---	------------------------------	-------------------------------	-------------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
---	--------------------	---------	---------

	\$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 bill lowers the tax percentage rates of the 10 income brackets used in the computation of individual income tax liability. The bill lowers the tax percentage of each income bracket by ½%. The top rate for taxable income over \$9,000 will 5.5% instead of 6%. This rate reduction will apply to tax years beginning after December 31, 2000.

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

L.R. NO. 3216-01
BILL NO. HB 1246
PAGE 4 OF 4
January 24, 2000

Department of Revenue
Office of Administration
University of Missouri Research Center

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
January 24, 2000