

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3786-01  
BILL NO.: HB 1625  
SUBJECT: Revenue Dept.; Taxation and Revenue-General-Income  
TYPE: Original  
DATE: March 22, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	\$0	\$0
Outstanding Schools Trust	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<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>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>(\$331,600,000)</b>	<b>(\$351,500,000)</b>	<b>(\$372,600,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this proposal eliminates the limit on the individual federal income tax deduction on January 1, 2000. This proposal will have little or no administrative impact to the Department of Revenue.

In a similar proposal officials of the **Office of Administration (COA)** stated this proposal restores the full federal income tax deduction for individual income taxpayers.

COA staff state that their estimate for restoring the full federal income tax deduction is from the FY 2001 Consensus Revenue Forecast and Budget and Planning's Individual Income Tax Simulator. The amount of the revenue loss is (\$331.6 million) in FY 2001, (\$351.5 million) in FY 2002 and (\$372.6 million) in FY 2003. COA stated the revenue reductions from this proposal would require an equivalent amount of General Revenue in order to fully fund the Foundation Formula. A six percent growth rate was assumed.

**Oversight** will reflect the impact of this proposal as a loss to local school districts.

**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
<b>GENERAL REVENUE FUND</b>			
<u>Loss to General Revenue Fund</u>			
Increase in Federal Income Tax Deduction	(\$331,600,000)	(\$351,500,000)	(\$372,600,000)
<u>Savings to General Revenue Fund</u>			
Reduction in funds transferred to Outstanding Schools Trust Fund	\$331,600,000	\$351,500,000	\$372,600,000
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>



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DESCRIPTION

Current law limits the deduction for federal income taxes paid by individuals to \$5,000 for single filers and \$10,000 for married couples filing a combined return. This act removes those limitations and allows full deductibility of federal income taxes for individuals beginning January 1, 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

Department of Revenue  
Office of Administration



Jeanne Jarrett, CPA  
Director  
March 22, 2000