

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0470-01
Bill No.: HB 39
Subject: Retirement Systems and Benefits-General; Revenue Dept.; Taxation and
Revenue-General-Income
Type: Original
Date: May 21, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$69,759,230)	(\$71,154,414)	(\$72,577,502)
Total Estimated Net Effect on <u>All</u> State Funds	(\$69,759,230)	(\$71,154,414)	(\$72,577,502)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** assume this bill removes the current income limits for taking a deduction of the first \$6,000 of public pension income.

In FY99 there were 127,003 Missourians receiving state or local pensions with an average annual benefit of \$8,285 and 81,985 Missourians receiving federal pensions with an average annual benefit of \$15,991. Since the average pension is over \$6,000 it is assumed that all Missourians with public pensions will receive the full \$6,000 deduction and a 6% marginal tax rate is assumed. Multiplying the number of Missourians with public pension income by \$6,000 and then taking 6% gives \$75.2 million in revenue reduction. According to the 2001 Tax Expenditure Report there is already \$9.5 million in revenue not being collected due to the current deduction. This amount needs to be subtracted from the \$75.2 million to get \$65.7 million which is the amount of revenue the state would have lost in FY99. Two percent annual growth is assumed. BAP assumes the revenue loss would be \$69.8 million in FY02, \$71.2 million in FY03 and \$72.6 million in FY04.

Officials of the **Department of Revenue (DOR)** did not respond to our fiscal note request.

This legislation will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Loss - General Revenue</u>			
Pension exemptions	(\$69,759,230)	(\$71,154,414)	(\$72,577,502)
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Under current law, the first \$6,000 of public pension received by a taxpayer is exempt from state income tax if a taxpayer's qualified income is \$32,000 or less if married or \$25,000 or less if single. This bill eliminates the income limitation for public pension income and allows the first \$6,000 of public pension income to be exempt for all taxpayers regardless of income.

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

SOURCE OF INFORMATION

Office of Administration
Division of Budget and Planning

NOT RESPONDING: Department of Revenue



Jeanne Jarrett, CPA
Director

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