

COMMITTEE ON LEGISLATIVE RESEARCH  
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1085-01  
Bill No.: HB 405  
Subject: Revenue Dept.; Taxation and Revenue-General and Income  
Type: Original  
Date: February 14, 2001

FISCAL SUMMARY

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$65,927,588)	(\$66,000,000)	(\$66,100,000)
<b>Total Estimated Net Effect on <u>All State Funds</u></b>	<b>(\$65,927,588)</b>	<b>(\$66,000,000)</b>	<b>(\$66,100,000)</b>

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

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

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

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration (COA) - Budget and Planning (BAP)** state this proposal increases the dependent deduction by \$800 to \$2,000.

BAP staff assume taxpayers will not adjust their withholdings in FY01 to take advantage of the increased dependent deduction. The estimate is based on State of Missouri Individual Income Tax data, data from the Tax Expenditure Report, and population projections from the State Demographer.

Officials of the **Department of Revenue (DOR)** state this legislation increases the state income tax dependency deduction from twelve hundred dollars to two thousand dollars.

DOR notes that BAP will estimate the general revenue impact. DOR notes also that the effective date will create problems with the withholding tables, which will reduce revenue by an increase in refunds.

This legislation will not require additional FTE. However, DOR will need to modify the income tax systems, which is estimated to take 692 hours of contract labor at a cost of \$23,085. The state data center implementation costs are estimated to be \$4,503.

**This legislation will decrease Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Loss - General Revenue Fund</u>			
Increased dependency exemption	(\$65,900,000)	(\$66,000,000)	(\$66,100,000)
<u>Cost - Department of Revenue</u>			
Reprogramming costs	<u>(\$27,588)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$65,927,588)</u></b>	<b><u>(\$66,000,000)</u></b>	<b><u>(\$66,100,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 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

This bill increases the dependency exemption deduction for state individual income tax purposes from \$1,200 to \$2,000. The increase will apply to tax year 2001 and thereafter.

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 Administration - Budget and Planning  
Department of Revenue



Jeanne Jarrett, CPA  
Director  
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