

Fiscal Estimate Narratives
DOR 3/14/2005

LRB Number	05-1545/1	Introduction Number	AB-164	Estimate Type	Original
Subject					
Adopt the IRS provisions on tax exemption of death gratuity payments to armed forces members					

Assumptions Used in Arriving at Fiscal Estimate

This bill adopts, for state income tax purposes, sec. 102 of Public Law 108-121, the Military Family Tax Relief Act of 2003 (MFTRA). Sec. 102 doubles the military death benefit from \$6,000 to \$12,000 and the full amount of the benefit is excluded from income; previously, one-half of the benefit was taxable. Sec. 102 specifies that any future increases to the military death benefit would also be exempt under federal law. Assuming enactment by July 31, this bill would first apply to benefits paid in 2005. The federal exclusion applies to benefits paid on or after September 11, 2001; benefits paid from that date to December 31, 2004, would not qualify for the treatment under this law.

Based on the federal fiscal estimate made by the U.S. Joint Committee on Taxation for the military death benefit of \$12,000, the bill would result in a decrease in state revenue of less than \$50,000 annually. A recent Pentagon proposal includes an increase to the military death benefit to \$100,000. To the extent that the military death benefit is increased by such a large amount, the bill will result in a significantly greater loss of state revenues.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$Minimal	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		3/14/2005	