

Fiscal Estimate Narratives

DOR 3/6/2006

| | | | | | |
|--|------------------|---------------------|---------------|---------------|-----------------|
| LRB Number | 05-1348/1 | Introduction Number | SB-615 | Estimate Type | Original |
| Description Exempting from taxation unemployment compensation benefits | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law, there is a partial exemption from taxation for unemployment compensation when income falls below certain amounts. Based on our 2003 Individual Income Tax Model, approximately \$247 million in unemployment compensation benefits were exempt in tax year 2003.

Under the bill, all unemployment compensation benefits are exempt. If the bill is enacted by July 31, 2006, the bill would first take effect for tax year 2006; later passage would mean that the bill would first apply to tax year 2007.

Based on a simulation on the 2003 Individual Income Tax Model, adjusted for 2005 law and adjusting for a 35% decrease in unemployment compensation payments from 2003 to 2005, exempting all unemployment compensation would decrease state income tax revenues by approximately \$34 million. However, the revenue loss would fluctuate with the rise and fall in unemployment.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

| | | | |
|--|-----------------------------|--|-----------------|
| LRB Number 05-1348/1 | | Introduction Number SB-615 | |
| Description Exempting from taxation unemployment compensation benefits | | | |
| 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 | \$ | \$-34,000,000 | |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | \$ | \$-34,000,000 | |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | <u>State</u> | <u>Local</u> | |
| NET CHANGE IN COSTS | \$ | \$ | |
| NET CHANGE IN REVENUE | \$-34,000,000 | \$ | |
| | | | |
| Agency/Prepared By | Authorized Signature | | Date |
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