

Fiscal Estimate Narratives

DOR 11/17/2003

LRB Number	03-3207/1	Introduction Number	SB-301	Estimate Type	Original
Subject					
Exempting from taxation 100% of unemployment compensation benefits					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, there is a partial exemption from taxation for unemployment compensation benefits. This bill would increase the current exemption to 100% of unemployment compensation benefits.

Based on a simulation on the 2001 Individual Income Tax Model adjusted for 2003 law and adjusting for the 73% increase in unemployment insurance payments from 2001 to 2004, assuming the bill would take effect taxable year 2004, exempting from taxation 100% of unemployment compensation benefits would decrease state income tax revenues by about \$67 million in tax year 2004. However, the revenue loss would fluctuate with the rise and fall in unemployment.

Long-Range Fiscal Implications

The revenue loss in 2004, when the unemployment rate is forecasted to be over 5%, would be substantially higher than the revenue loss of \$20 million to \$25 million in the late 1990's, when the unemployment rate was less than 4%. Over time, the revenue loss would average \$35 million to \$40 million per year.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-3207/1		Introduction Number SB-301	
Subject			
Exempting from taxation 100% of 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, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-67,000,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-67,000,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-67,000,000	\$	
Agency/Prepared By		Authorized Signature	
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		Date	
		11/17/2003	