

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>23-3904/2</b>	Introduction Number <b>SB-0382</b>
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**Description**  
 an increase and expansion of the retirement income subtraction

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Michael Oakleaf (608) 261-5173	<b>Date</b> 8/22/2023
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## Fiscal Estimate Narratives

DOR 8/22/2023

LRB Number	23-3904/2	Introduction Number	SB-0382	Estimate Type	Original
<b>Description</b> an increase and expansion of the retirement income subtraction					

### Assumptions Used in Arriving at Fiscal Estimate

Beginning in tax year 2024, this bill increases and expands the individual state income tax subtraction for payments or distributions received from qualified retirement plans under the Internal Revenue Code or from certain individual retirement accounts.

If an individual is at least 67 years of age and files a single or head of household return, they may subtract up to \$100,000 of payments or distributions received from qualified retirement plans or certain individual retirement accounts annually from their taxable income.

If the individual and individual's spouse are both at least 67 years of age and file married separate returns, the sum of the amount that the couple may subtract annually from their combined taxable income may not exceed \$150,000.

If the individual and individual's spouse are both at least 67 years of age and file a married joint return, each spouse may subtract up to \$150,000 annually from their combined taxable income.

As written, the bill does not provide an exemption for married couples in which only one spouse is at least 67 years of age.

In order to claim the subtraction under this bill, the claimant must not claim any individual income tax credits.

Based on simulations using the 2019 individual income tax model, the bill would reduce revenue by approximately \$54 million in fiscal year 2024 and \$362 million annually beginning in fiscal year 2025. To the extent that individuals do not adjust their estimated payments in response to the bill, the fiscal year 2024 impact may be reduced or delayed.

If the bill is modified to allow married joint filers to claim a subtraction for up to \$100,000 of retirement income if only one spouse has reached the age of 67, the revised bill would reduce revenue by approximately, \$63 million in fiscal year 2024 and \$420 million annually beginning in fiscal year 2025.

Because this bill reduces tax revenue, it may impact the state's maintenance of effort requirement under the American Rescue Plan Act. The Dept of Administration should review this bill for this specific purpose to provide further clarity on the matter.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 23-3904/2		<b>Introduction Number</b> SB-0382	
<b>Description</b> an increase and expansion of the retirement income subtraction			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$See Text	\$	
<b>Agency/Prepared By</b>			
DOR/ Bradley Caruth (608) 261-8984		<b>Authorized Signature</b>	<b>Date</b>
		Michael Oakleaf (608) 261-5173	8/22/2023