



## Fiscal Estimate Narratives

DOR 2/6/2024

LRB Number	23-5675/1	Introduction Number	SB-0978	Estimate Type	Original
<b>Description</b> increasing and expanding the retirement income subtraction					

### Assumptions Used in Arriving at Fiscal Estimate

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. Beginning in tax year 2024, up to \$75,000 of payments or distributions received from qualified retirement plans or certain individual retirement accounts may be subtracted annually from an individual's taxable income, if the individual is at least 65 years of age. If the individual and individual's spouse are both at least 65 years of age, the sum of the amount that the couple may subtract annually from their combined taxable income may not exceed \$150,000.

The retirement income subtraction will reduce revenue by approximately \$658 million in fiscal year 2024-25 and \$480 million annually beginning in fiscal year 2025-26. This estimate assumes affected individuals will adjust their withholding and estimated payments in response to the bill, accounting for a one-time revenue loss of \$191 million that is included in the \$658 million figure for fiscal year 2024-25. To the extent that individuals do not adjust their payments or are slow to make adjustments, the \$191 million one-time effect would be smaller or would be spread across multiple years.

According to Department of Administration net tax reduction calculations related to the American Rescue Plan Act (ARPA), the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$97.0 million for fiscal year 2024 and \$326.6 million for fiscal year 2025. The figures in this fiscal estimate exceed those margins.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 23-5675/1	<b>Introduction Number</b> SB-0978	
<b>Description</b> increasing and expanding 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>	<b>Authorized Signature</b>	<b>Date</b>
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