

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING A STATE INCOME TAX DEDUCTION FOR MILITARY RETIREMENT BENEFITS FOR AN INDIVIDUAL WHO IS UNDER FIFTY-FIVE YEARS OF AGE.

Prime Sponsors: Reps. Danielson and Landgraf
Sens. Crowder and Williams A.

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Date Prepared: May 8, 2018

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 05/04/18.

XXX	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
L.016	Bill Sponsor amendment - changes fiscal impact

Current Appropriations Clause in Bill

The bill neither requires nor contains an appropriation clause for FY 2018-19.

L.016 Bill Sponsor amendment **L.016** (attached) changes the maximum amount a qualified military member may deduct from their state income taxes. The amendment also removes the requirement that a qualified individual must have military retirement benefits less than or equal to \$40,000 at the close of each tax year in order to qualify for the deduction. Finally, the amendment extends the number of years for which the deduction is available. The full fiscal impact of the bill if **L.016** is adopted is summarized in a memo dating May 7, 2018 from Legislative Council Staff (attached).

Points to Consider

General Fund Impact

The Joint Budget Committee has proposed a budget package for FY 2018-19 based on the March 2018 Office of State Planning and Budgeting revenue forecast. The budget package leaves

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approximately \$40.8 million General Fund unallocated. This bill is anticipated to reduce General Fund revenues by up to \$1.3 million in FY 2018-19, reducing the excess General Fund reserve by the same amount.

The bill will reduce General Fund revenues by up to \$3.0 million in FY 2019-20, by up to \$3.4 million in FY 2020-21 and FY 2021-22, and by up to \$1.7 million in FY 2022-23. The Department of Revenue will require an appropriation of \$35,038 General Fund in FY 2019-20 for GenTax system programming changes.