

Fiscal Note Request HB0219, As Introduced

(continued)

4. The Department of Revenue will not adjust withholding tables, and taxpayers will not adjust the number of exemptions claimed for withholding purposes in response to this proposal. Thus, the first effect on revenue will occur in FY 2006, when taxpayers file their 2005 income tax returns.
5. It is estimated that providing households with income below the poverty thresholds with an additional personal exemption will reduce tax liabilities by \$988,000 a year (DOR simulation model – TY2005). All of this reduction will occur in the fiscal year following the tax year for which the additional exemption is in effect.
6. There are no administrative impacts associated with this bill.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$(988,000)	\$(988,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$(988,000)	\$(988,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

Revenues to the state general fund will be reduced by an estimated \$988,000 for each tax year in which this additional exemption is in effect.

TECHNICAL NOTES:

1. The new subsection on page 8, lines 8 through 11 defines when a taxpayer is allowed a second additional exemption for the taxpayer’s spouse. The spouse must be a member of the taxpayer’s household, have no gross income, and not be the dependent of another taxpayer. Under current law, couples meeting these conditions may file a joint return, or the taxpayer may claim the spouse as a dependent if the spouse does not file a return. This section imposes the additional requirement for a second additional exemption that “a separate return is made by the taxpayer.” This appears to require that a couple may not claim the second additional exemption on a joint return. If this is not the intent, the wording needs to be clarified.