



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0129
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Title:	Limit unemployment compensation not subject to income tax to \$2400
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Primary Sponsor:	Buttrey, Edward
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Status:	As Introduced
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| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$4,531,000	\$4,510,000	\$4,496,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$4,531,000</u>	<u>\$4,510,000</u>	<u>\$4,496,000</u>

Description of fiscal impact: SB 129 would provide that only \$2,400 of unemployment compensation may be excluded from the definition of "gross income" for state income tax purposes beginning with the 2014 tax year. Currently, although this compensation is taxable for federal purposes, a taxpayer is allowed to deduct it on Schedule II "Montana Subtractions from Federal Gross Income" when calculating their Montana taxable income.

FISCAL ANALYSIS

Assumptions:

1. To calculate the fiscal impact of SB 129, the state calendar year tax liability for full year residents was calculated using current law assumptions. This was then compared to the estimated state calendar year tax liability and the unemployment compensation limits contained in SB 129.
2. The change in Assumption #1 was then multiplied by the ratio of estimated full year resident liability to the estimated total calendar year liability for all residents. This was done to incorporate the growth in Montana population as well as the part-year and non-resident population.
3. It is assumed the calendar year change in tax revenue will be realized in the year when the taxpayer files their tax return.

4. The following table shows the assumptions and estimate change in total income tax revenue as a result of SB 129.

<u>Calendar Year</u>	<u>Change In 2011 Full Year Residents Liability</u>	<u>Estimated Full Year Resident Liability To The Estimated Total Calendar Year Liability For All Residents</u>	<u>Fiscal Year</u>	<u>Estimated Effect of SB 129</u>
2014	\$4.373	1.0361	2015	\$4.531
2015	\$4.285	1.0525	2016	\$4.510
2016	\$4.205	1.0692	2017	\$4.496

5. This bill will require modifications to the income tax forms and instructions. It is assumed these changes can be included as part of the annual forms change process.

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>\$4,531,000</u>	<u>\$4,510,000</u>	<u>\$4,496,000</u>
TOTAL Revenues	<u>\$0</u>	<u>\$4,531,000</u>	<u>\$4,510,000</u>	<u>\$4,496,000</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$4,531,000	\$4,510,000	\$4,496,000

Technical Notes:

1. SB 129 does not indicate if the \$2,400 limit on the deductible amount of unemployment compensation is applicable to each person, or each taxpayer. For fiscal note purposes, it is assumed that this bill will apply to each taxpayer. For example, two individuals whose filing status is married filing separately would be allowed \$4,800 in deductible compensation, and if their filing status was married filing jointly they would only be allowed \$2,400 in deductions.

Sponsor's Initials

Date

Budget Director's Initials

Date