

INDIVIDUAL INCOME TAX
 Modify Elderly Subtraction

February 12, 2001

Department of Revenue
 Analysis of S.F. 17 (Wiger)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Revised for administrative Impact

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund	(\$6,030)	(\$6,590)	(\$7,190)	(\$7,480)

The proposal is assumed effective beginning tax year 2001.

EXPLANATION OF THE BILL

Current Law: A subtraction is allowed for persons who are age 65 or over or totally disabled. It is computed as follows for a married couple who both qualify and file a joint return: \$12,000 minus nontaxable retirement and nontaxable social security benefits minus one half of federal adjusted gross income over \$18,000. The amounts used are different for other filing statuses.

Proposed Law: The proposal would increase the initial base amounts from \$12,000 to \$20,000 for married joint, \$9,600 to \$16,000 for single persons, and \$6,000 to \$10,000 for married separate filers. It would also change the computation from using one-half to using one-third of federal adjusted gross income.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS) Model was used to estimate the tax year revenue impact of this proposal .
- These simulations assume the same economic conditions used by the Minnesota Department of Finance for the forecast published in November 2000. The model uses a stratified sample of 1998 individual income tax returns compiled by the Minnesota Department of Revenue.
- It was assumed that the impact for the tax year would be reflected in the following fiscal year.

NUMBER OF TAXPAYERS AFFECTED: 22,000 returns.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational cost to the department in administering this bill.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

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