

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6476**  
**BILL NUMBER: SB 198**

**DATE PREPARED:** Nov 23, 1998  
**BILL AMENDED:**

**SUBJECT:** Income tax deduction for the elderly and the blind.

**FISCAL ANALYST:** Diane Powers  
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**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

<b>STATE IMPACT</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
State Revenues		(21,500,000)	(21,900,000)
State Expenditures			
Net Increase (Decrease)		(21,500,000)	(21,900,000)

**Summary of Legislation:** This bill increases the deduction from adjusted gross income for the elderly and the blind from \$1,000 to \$2,000.

**Effective Date:** January 1, 1999 (retroactive).

**Explanation of State Expenditures:** The Department of Revenue will have administrative expenses associated with updating tax forms, instructions and computer programs.

**Explanation of State Revenues:** Currently taxpayers who are 65 years old or over and/or blind receive an additional personal exemption of \$1,000. (This is in addition to the current \$1,000 personal exemption that each taxpayer may claim.) This bill increases the amount of the elderly and/or blind exemption only from \$1,000 to \$2,000.

Based on the Department of Revenue individual income tax statistics, there were 588,123 blind or elderly exemptions claimed. The tax impact of these current exemptions was approximately \$20 M in FY 95. The statistics also show that the exemptions for persons age 65 or over and/or blind claimed over the last six years has been increasing at a rate of 1.8% annually.

Increasing these exemptions from \$1,000 to \$2,000 for tax years beginning January 1, 1999 would reduce individual income tax revenue by an estimated **\$21.5 M** in **FY 2000** and **\$21.9 M** in **FY 2001**. Individual income tax revenue is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties with a local option income tax would experience an indeterminable decrease in revenue collections due to the increase in the personal exemptions.

**State Agencies Affected:** Department of Revenue.

**Local Agencies Affected:** Counties with a local option income tax.

**Information Sources:** Department of Revenue Individual Income Tax Statistics.