

**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:** Feb 23, 1999  
**BILL AMENDED:** Feb 22, 1999

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

**FISCAL ANALYST:** Diane Powers  
**PHONE NUMBER:** 232-9853

**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		(8,700,000)	(8,900,000)
State Expenditures			
Net Increase (Decrease)		(8,700,000)	(8,900,000)

**Summary of Legislation:** (Amended) This bill establishes an additional deduction of \$500 from adjusted gross income for taxpayers and their spouses who qualify for the federal deduction for the aged, subject to certain income limits.

**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:** (Revised) This bill establishes an additional deduction of \$500 from adjusted gross income for taxpayers and their spouses who qualify for the federal deduction for the aged and have adjusted gross income under \$40,000. (Currently taxpayers who are 65 years old or over and/or blind receive a \$1,000 personal exemption in addition to the current \$1,000 personal exemption that each taxpayer may claim.)

Based on the 1996 Department of Revenue individual income tax statistics, there were 510,000 elderly exemptions claimed which had adjusted gross income under \$40,000. 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 1.95% annually.

The additional \$500 elderly deduction for taxpayers under \$40,000 for tax years beginning January 1, 1999 would reduce individual income tax revenue by an estimated **\$8.7 M** in **FY 2000** and **\$8.9 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.