COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4298-01
Bill No.: SB 1198 with SCA 1
Subject: Taxation and Revenue - Income; Employees and Employers
Type: Original
Date: March 30, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	$12,215,489	$18,400,000	$9,200,000
Total Estimated Net Effect on General Revenue Fund	**$12,215,489**	**$18,400,000**	**$9,200,000**

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

According to the Department of Revenue's **Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2002**, 1.2 million withholding tax returns were filed in FY02 and $3.3 billion was collected.

Officials from the **Department of Revenue (DOR)** assume this legislation eliminates the timely filing deduction for businesses filing an employer's withholding tax return from September 1, 2004 until January 1, 2007..

DOR will have to notify employers and forms will have to be revised and issued to the employers for the balance of the reporting year. DOR will have the vendor produce and mail the new voucher to the employers. Estimated printing costs will be $41,000. Postage will be needed to send 145,035 voucher books at an estimated cost of $43,511.

If the effective date was changed to January 1, 2005, it would allow the businesses to utilize the vouchers they have without DOR having to reprint and mail to all employer withholding accounts. The vouchers are issued each year in December for the next year's filings. Therefore, if the date was changed, there would be no administrative impact to DOR.

This legislation will increase general revenues by $18.4 million per fiscal year. Therefore, DOR estimates the increase for FY05 to be $12.3 million, FY06 to be $18.4 million and FY07 to be

ASSUMPTION (continued)

$9.2 million.

This legislation will increase Total State Revenue.

FISCAL IMPACT - State Government	FY 2005 (8 Mo.)	FY 2006	FY 2007 (6 Mo.)
GENERAL REVENUE FUND			
Income - General Revenue Suspension of timely filing withholding tax compensation deduction	$12,300,000	$18,400,000	$9,200,000
Cost - Dept. of Revenue Printing & mailing new withholding voucher books	($84,511)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$12,215,489**	**$18,400,000**	**$9,200,000**

FISCAL IMPACT - Local Government	FY 2005 (8 Mo.)	FY 2006	FY 2007
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that have employees will not be allowed the deduction for timely filing withholding tax from September of 2004 through December of 2006.

DESCRIPTION

This proposal suspends the employer withholding bonus, effective September 1, 2004, until January 1, 2007.

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DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenue.

SOURCES OF INFORMATION

Department of Revenue
Comprehensive Annual Financial Report (CAFR)
for Fiscal Year Ended June 30, 2002

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March 30, 2004