

Legislative Fiscal Bureau

Fiscal Note

SF 442 - IRC Update II (LSB 3412 SV)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)

Fiscal Note Version — New

Description

Senate File 442 updates Iowa's tax laws to incorporate changes made at the federal level since January 1, 2002. This action will allow Iowa teachers to exempt up to \$250 in school supply expenses from Iowa taxable income for tax years 2002 and 2003. The Bill specifically decouples Iowa tax law from the federal bonus depreciation allowed under the federal Job Creation and Worker Assistance Act of 2002.

Assumptions

1. The school supply expense exemption will allow teachers to exclude up to \$250 of qualified expenses from taxable income for tax years 2002 and 2003. As most Iowans will have filed their 2002 tax returns before enactment of SF 442, there will be little fiscal impact in FY 2003. Although a few Iowans may have applied for the credit in anticipation of passage of this language, most would not. Those that file amended returns to benefit from the exemption (\$8.00 to \$20.00 per return) will impact FY 2004.
2. Teachers filing amended returns for tax year 2002 will increase General Fund refunds in FY 2004 by \$200,000.
3. The tax credit for tax year 2003 will reduce net General Fund receipts by \$517,000 in FY 2004.

Fiscal Impact

Coupling Iowa's tax laws with federal changes made since January 1, 2002, will reduce net General Fund receipts by \$717,000 for FY 2004. As current federal law does not permit the tax exemption beyond tax year 2003, there will be no fiscal impact after FY 2004.

Source

Department of Revenue and Finance

/s/ Dennis C Prouty

April 15, 2003

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
