



## Fiscal Estimate Narratives

DOR 3/13/2007

LRB Number	07-1506/3	Introduction Number	AB-0087	Estimate Type	Original
<b>Description</b> Modifying the definition of income under the homestead tax credit					

### Assumptions Used in Arriving at Fiscal Estimate

Under a traditional IRA, deposits are made with pretax dollars, but distributions and earnings upon retirement are taxed. With a Roth IRA, contributions are made with after-tax dollars and distributions and earnings are not taxed. A qualified distribution from a Roth IRA is a distribution that is (1) made after a 5-year period of participation and (2) made on or after the recipient reaches 59.5 years old, made to the beneficiary of the contributor's estate after his or her death, or attributable to the disability of the contributor.

Under current law, certain exempt income is added to household income for determining eligibility for the homestead credit, including qualified distributions from Roth individual retirement accounts (IRAs). Nonqualified distributions from Roth IRAs are included in taxable income to the extent they have not otherwise been taxed, such as with earnings on taxable contributions. No homestead credit is allowed for persons with household income above \$24,500.

Under the bill, both qualified and nonqualified distributions or payments from a Roth IRA would be excluded from household income in the calculation of the homestead credit.

The Department does not separately track income by type of retirement account. As a result, an estimate of the fiscal effect of the bill is not available. However, reducing the amount of household income considered in determining eligibility for the credit could result in more and larger credits being claimed under the program.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Modifying the definition of income under the homestead tax credit			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$see text	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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