

**State Fiscal Note for Bill  
Number: 2017-H-5790**

**Date of State Budget Office Approval:**

**Date Requested:** Tuesday, April 11, 2017

**Date Due:** Friday, April 21, 2017

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2017	n/a	FY 2017	n/a
FY 2018	n/a	FY 2018	\$(1,441)
FY 2019	n/a	FY 2019	\$(2,881)

**Explanation by State  
Budget Office:**

This bill would amend Rhode Island General Law Chapter 44-30 titled "Personal Income Tax" by eliminating requirement that a certain qualified widow(er) would need to be at least the age used in calculating full or unreduced Social Security retirement benefits to be eligible for the Rhode Island modification decreasing federal AGI by the amount of taxable Social Security income. Under the proposed bill, any qualified widow(er) with federal AGI of \$80,000 or less in 2016 dollars would be eligible for the Rhode Island modification reducing federal AGI by taxable social security income regardless of age. A qualified widow(er) who had a federal AGI greater than \$80,000 in 2016 dollars but less than \$100,000 in 2016 dollars would still be entitled to the modification reducing federal AGI, but would be subject to the age requirement of being at the full or unreduced Social Security retirement benefits to be eligible.

Under current law, effective for tax years beginning on or after January 1, 2016, a qualified widow(er) is allowed a modification for the amount of taxable Social Security income under Rhode Island General Law Section 44-30-12(B) titled "Rhode Island income of a resident individual Modifications reducing federal adjusted gross income" provided that the taxpayer has reached the age used for calculating full or unreduced Social Security retirement benefits and has federal AGI of \$100,000 or less in 2016 dollars.

**Comments on  
Sources of Funds:**

All personal income taxes are considered to be general revenues.

**Summary of Facts  
and Assumptions:**

The bill takes effect upon passage and is applicable to tax years beginning on or after January 1, 2018. Based upon the accrual methodology employed by the Office of Accounts and Controls, tax law changes that take effect in the middle of a fiscal year have a current fiscal year revenue impact equal to one-half of the succeeding fiscal year's revenue impact. The Office of Revenue Analysis (ORA) has used this accrual based methodology to provide the budgetary revenue impacts contained in this fiscal note.

ORA consulted the 2013 personal income tax file which is the most recent tax file available. In tax year 2013, 28 widow(er)s had taxable Social Security benefits. Of the 28 taxpayers, eight taxpayers were eligible to utilize the modification reducing federal AGI under current law leaving 20 taxpayers with taxable Social Security benefits that do not meet the age and income requirements under current law. Of these 20 taxpayers, 14 would be made eligible for the modification to subtract

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taxable Social Security income due to the elimination of the age requirement contained in the bill. These 14 taxpayers have an average annual taxable Social Security amount of \$8,416.

The fiscal impact analysis of the bill is based on a personal income tax simulation executed by ORA. The simulation adjusted the TY 2013 personal income tax files to reflect TY 2017 law and applied the proposed elimination of the age requirement in order to deduct taxable Social Security benefits from federal AGI for those qualified widow(er)s. The results of this simulation would reduce personal income tax collections by \$2,881 or an average of \$206 per eligible taxpayer.

Employing the Office of Accounts and Controls accrual methodology yields budgetary revenue losses from the passage of this bill for FY 2018 of \$1,441 (i.e.,  $0.5 * \$2,881$ ). For the FY 2019 fiscal impact estimate, the estimate was held constant.

The Governor's FY 2018 Recommended Budget projects a closing surplus of \$78.0 million in FY 2017 and \$654,736 in FY 2018. Passage of this bill would have no impact on the FY 2017 closing surplus, Governor's FY 2018 Recommended Budget, but would increase the FY 2019 projected deficit.

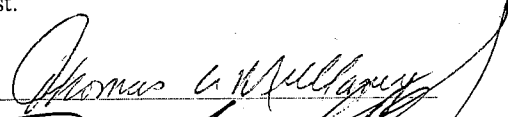
*Summary of Fiscal  
Impact:*

FY 2017: Not applicable due to the implementation date of January 1, 2018.

FY 2018: A revenue loss of \$1,441 is forecast.

FY 2019: A revenue loss of \$2,881 is forecast.

*Budget Office Signature:*



*Fiscal Advisor Signature:*

