

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1300**

**Amendment Number: H1**

**Bill Subtitle: TO ELIMINATE THE INCOME TAX DEDUCTION FOR GAMBLING LOSSES; AND TO DEDICATE THE SAVINGS FROM THE ELIMINATION OF THE INCOME TAX DEDUCTION FOR GAMBLING LOSSES TO BE USED FOR STATE HIGHWAYS.**

---

### **Basic Change :**

**Sponsor: Rep. J. Mayberry**

HB1300, as amended by House Amendment No. 1, would eliminate the individual income tax miscellaneous itemized deduction for gambling losses as provided in § 26-51-424. The additional tax revenue from eliminating the tax deduction would be used for highway funding, which would be distributed as follows: 70% to the State Highway and Transportation Department Fund; 15% to the County Aid Fund; 15% to the Municipal Aid Fund. The bill provides that monthly installments of 1/12 of \$10 million shall be deducted from the General Revenue Fund of the State Apportionment Fund and this amount be transferred to 70% to the State Highway and Transportation Department Fund; 15% to the County Aid Fund; and 15% to the Municipal Aid Fund. The bill will be effective for tax years beginning on or after January 1, 2019.

### **Revenue Impact :**

**FY2020 - \$1.5M net increase to State General Revenues**

(\$11.5M increase in State General Revenues less \$10M decrease in State General Revenues as result of monthly revenue transfers to State Highway and Transportation Department Fund, County Aid Fund, and Municipal Aid Fund.)

[ To arrive at the revenue impact of the increase in General Revenues resulting from the repeal of the deduction for gambling losses, the total amount of gambling losses claimed for tax year 2017 was obtained from the AIRS tax system. The total gambling losses of over \$244 million was multiplied by an effective tax rate of (4.7%) to arrive at the \$11.5 million increase in general revenue per tax year. ]

### **Taxpayer Impact :**

Taxpayers with gambling winnings would no longer be able to claim itemized deductions for any gambling losses.

### **Resources Required :**

Computer programs, tax forms, and instructions will need to be updated.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Computer programs, tax forms and instructions, and training manuals will need to be updated. Department employees will need to be educated as well as the tax community.

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1300**

**Amendment Number: H1**

**Bill Subtitle: TO ELIMINATE THE INCOME TAX DEDUCTION FOR GAMBLING LOSSES; AND TO DEDICATE THE SAVINGS FROM THE ELIMINATION OF THE INCOME TAX DEDUCTION FOR GAMBLING LOSSES TO BE USED FOR STATE HIGHWAYS.**

---

**Other Comments :**

None.

**Legal Analysis :**

HB1300 is unclear as to whether the monthly transfers of 1/12 of \$10 million should begin. The effective date of HB1300 is for tax years beginning on or after January 1, 2019. The anticipated savings from elimination of the deduction for gambling losses may not be fully realized until taxpayers file their 2019 returns in early 2020. If the bill intends the revenue transfers to highways to begin when the bill becomes effective, i.e., 90 days following adjournment, the state budget would need to account for the monthly transfers of \$833,333 starting before any 2019 returns are actually filed. It is recommended that a date certain be provided in the bill to clarify when the general revenue transfers are to begin and that the revenue transfers coincide with when the effect of the repeal of the deduction would be realized.