

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1190**

**Bill Subtitle: TO AMEND THE INDIVIDUAL INCOME TAX LAWS; AND TO PROVIDE A COST-OF-LIVING ADJUSTMENT FOR THE STANDARD DEDUCTION.**

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### **Basic Change :**

**Sponsors: Rep. Ray and Sen. M. Johnson**

HB1190 provides for an annual increase in the income tax standard deduction. The standard deduction is currently \$2,200 per taxpayer. For tax years beginning January 1, 2021 and after, the Department of Finance and Administration (DFA) would be directed to increase the standard deduction amount each year based on any increase in the Consumer Price Index for all Urban Consumers, as published by the United States Department of Labor, from one year to the next. The standard deduction increase may not exceed 3% in a calendar year. If the Consumer Price Index does not increase in a calendar year, then no adjustment will be made to the standard deduction.

### **Revenue Impact :**

**FY2022** - \$900,000 reduction in State General Revenue per year.

[ Revenue Impact is based upon a consumer price index increase of 1.5032%. This is the average increase over the last six years. A 1.5032% increase of the current standard deduction of \$2,200 would increase the standard deduction to \$2,230. ]

### **Taxpayer Impact :**

Approximately 630,000 taxpayers that claim the standard deduction will receive a reduction in tax resulting from the cost-of-living adjustment increasing the standard deduction.

### **Resources Required :**

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

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Department employees will need to be educated as well as the tax community.

### **Other Comments :**

None.

### **Legal Analysis :**

None.