

Fiscal Note

BILL # SB 1148

TITLE: income tax; rebate; seniors

SPONSOR: Kern

STATUS: As Amended by Senate APPROP

PREPARED BY: Benjamin Newcomb

Description

SB 1148, as amended, would provide a one-time individual income tax rebate of \$250 in FY 2025 to Arizona taxpayers who: (1) filed a full-year resident tax return for Tax Year (TY) 2022, (2) were 65 years of age or older during TY 2022, and (3) had a tax liability of at least \$1 in TY 2020, TY 2021, or TY 2022.

The bill requires the Department of Revenue (DOR) to issue the rebates between October 15, 2024 and November 15, 2024.

Estimated Impact

We estimate that the bill would have a one-time General Fund cost of \$175.5 million in FY 2025.

A more precise estimate of the bill would require a detailed analysis of individual income tax returns filed by Arizona residents for TY 2022, TY 2021, and TY 2020. However, since our office does not have access to such information, we have asked DOR for a more detailed analysis of the bill. As of the publication of this fiscal note, no such estimate has been provided.

Analysis

Under current law, Arizona taxpayers may claim an age-based income tax exemption pursuant to A.R.S. § 43-1023 if they are at least 65 years old. Based on DOR's preliminary TY 2022 Statistical Abstract, which provides summary data for each line on the Arizona individual income tax form, we estimate that 936,262 age exemptions were claimed by resident filers for TY 2022. (Note that married couples filing jointly can claim 2 age exemptions if both spouses are 65 or older.)

Approximately 75% of all resident filers had an income tax liability of at least \$1 in TY 2021, the last year for which such detailed data has been furnished. At the current time, we lack information on the share of resident filers who claim the age exemption that also have a tax liability of at least \$1. For this reason, our analysis assumes that the same proportion of filers with a tax liability of \$1 or more that applies to all resident filers (75%) also applies to the subset of filers who claim the age exemption.

Based on this assumption, we estimate that 702,196 filers [= 936,262 x 75%] would qualify for the proposed income tax rebate under the bill. Based on these projections, our estimate for the General Fund cost of the rebate would be \$175.5 million [= 702,196 x \$250] in FY 2025.

Local Government Impact

None

2/27/24

