

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2739-01
Bill No.: HB 859
Subject: Law Enforcement Officers and Agencies; Property, Real and Personal; State Tax Commission; Taxation and Revenue.
Type: Original
Date: February 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$46,170)	(\$9,000)	(\$18,000)
Total Estimated Net Effect on General Revenue Fund	(\$46,170)	(\$9,000)	(\$18,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Corrections, Department of Conservation, State Tax Commission, Department of Natural Resources** and the **Department of Public Safety - Divisions of Director's Office, Capitol Police, Fire Safety, State Highway Patrol and State Water Patrol** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume this bill would reduce general and total state revenues. However, BAP does not have the requisite data to estimate the impact of this bill.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Revenue's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 10 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 15 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$615, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would

depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or

ASSUMPTION (continued)

withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Revenue (DOR)** state this legislation establishes a tax credit for an unmarried surviving spouse of a public safety officer equal to the total amount of the property taxes on the surviving spouse's homestead paid during the tax year that the credit is claimed. The credit is effective for tax years beginning on or after January 1, 2005, and sunsets in six years unless reauthorized.

DOR assumes MINITS will need to be modified to allow for this new credit. DOR estimates that 1,384 hours of programming for a cost of \$46,170 would be needed.

Personal Tax will need to verify the documentation of the tax credits filed with the tax returns. One Tax Processing Tech I would be needed for this verification for every 4,000 additional claims a year and One Tax Processing Tech I for every 3,000 pieces of correspondence received regarding this credit.

DOR also states it is the assumption that there will not be a significant number of taxpayers utilizing this credit to warrant additional personnel in the Tax Assistance Offices around the state.

In response to a proposal from this year that established a death benefit for public safety officers killed in the line of duty, **Oversight** utilized an estimate of 6 officers killed annually. With this number of new credits claimed per year, Oversight assumes DOR will be able to administer the tax credits specified in this proposal without additional FTE.

According to the Statistical Abstract of the United States, 2002 edition, the median sales price of a one-family home in the Midwest in 2001 was \$130,200. Utilizing this value, and the assessed valuation ratio of 19%, and the average state levy of \$6.13 per \$100 assessed valuation, **Oversight** assumes the average residential real property tax bill in Missouri is roughly \$1,500

(\$130,200 x 19% / \$100 x \$6.13). Therefore, Oversight will assume the average tax credit that

ASSUMPTION (continued)

will be utilized by surviving spouses of public safety officers killed in the line of duty will be \$1,500. Using this amount for all of the estimated six officer killed, would result in a total annual tax credit of \$9,000.

Oversight will assume this will be available for calender year 2005, and will be a reduction in income in fiscal year 2006. Oversight also assumes the surviving spouse will be entitled to take this tax credit for property taxes paid for as long as they have not remarried, or until the sunset of the provision. Therefore, in FY 2007, Oversight will estimate 6 additional surviving spouses of public safety officers who were killed in calender 2006 as well as the remaining unmarried surviving spouses from the public safety officers killed in the line of duty in 2005. Therefore, Oversight assumes an additional \$9,000 in tax credits being added to the total each year.

There are many variables (number of public safety officers killed, their marital status, valuation of their homesteads, property tax rates, if surviving spouses remarry, amount of tax due for a surviving spouse to be able to take the tax credit against, etc.) that can significantly change the estimate set forth by Oversight.

This proposal will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Costs - Department of Revenue</u>			
Programing expense	(\$46,170)	\$0	\$0
 <u>Loss - Tax credit for surviving spouses of public safety officers</u>			
	<u>\$0</u>	<u>(\$9,000)</u>	<u>(\$18,000)</u>
 ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND			
	<u>(\$46,170)</u>	<u>(\$9,000)</u>	<u>(\$18,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal authorizes an individual income tax credit for the amount of real property taxes paid on a homestead by surviving spouses of certain public safety officers. The public safety officer must have been killed in the line of duty and must have been an employee of the State of Missouri or any political subdivision of the state.

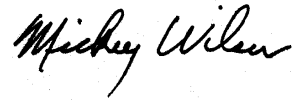
The provisions of the proposal will expire six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of the Secretary of State
Office of Administration - Budget and Planning
Department of Public Safety
 Director's Office
 Capitol Police
 Fire Safety
 Highway Patrol
 Water Patrol
Department of Corrections
Department of Natural Resources
Department of Conservation
Missouri State Tax Commission

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 10, 2004