

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3270-01
Bill No.: HB 1210
Subject: Elementary and Secondary Education; Taxation and Revenue - Income
Type: Original
Date: February 27, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$33,630)	(\$253,342 to Unknown)	(\$140,374 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$33,630)	(\$253,342 to UNKNOWN)	(\$140,374 to UNKNOWN)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on Other 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

Department of Elementary and Secondary Education (DES) officials assume this legislation establishes the "Missouri Tutoring Program for Public Schools". When computing Missouri adjusted gross income, qualified taxpayers (who spend a minimum of 60 hours and a maximum of 180 hours tutoring in any school year) shall be allowed to subtract from federal adjusted gross income the time spent tutoring.

DES assumes that 237 tutors met the minimum hourly requirement during the 02-03 school year. DES assumes subtractions from federal adjusted gross income when computing Missouri adjusted gross income will result in less general revenue collections; however, DES defers to DOR regarding the amount of any impact.

DES will require 1 Supervisor FTE to establish a procedure to evaluate the amount of time a tutor has spent tutoring within the tutor's school district and to review applications received from participating school districts.

Oversight has, for fiscal note purposes only, changed the starting salary for the supervisor to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** state this proposal creates the Missouri Tutoring Program for Public Schools. For all tax years beginning January 1, 2005, qualified tutors may deduct their qualifying tutoring income from Missouri Adjusted Gross Income.

BAP assumes this proposal could have an unknown negative impact on General Revenue and Total State Revenue. BAP has no basis for estimating how many qualified tutors may participate in the program, or the hourly rate of compensation.

Officials from the **Missouri Senate** and the **House of Representatives** assume this legislation would not fiscally impact their agencies.

Officials of the **Department of Revenue (DOR)** assume this legislation provides for a tax deduction for qualified individuals equal to the amount of the value of time spent tutoring in public schools. This will decrease personal income taxes by an indefinite amount each year.

This legislation authorizes a taxpayer to subtract from Federal Adjusted Gross Income the total value of the time spent tutoring in a school.

The Commissioner of Education is to establish procedures to evaluate the amount of time a tutor has spent tutoring in the tutor's school district. The Superintendent is to provide a certificate to each tutor with the value of time spent. Any school districts wanting to participate in the Missouri Tutoring Program for Public Schools has to apply to the Department of Elementary and Secondary Education.

If revenues are less than projected by the Office of Administration during the fiscal year, then the Committee for Tutoring in Public Schools will issue a written recommendation to discontinue the program for that fiscal year.

The modification will be added to the Form MO-A as a line for subtraction. DOR cannot determine the number of taxpayers that will claim this subtraction, but anticipates the volume of taxpayers taking this credit could be large. Personal Tax will need 2 tax season temporaries for every 90,000 returns claiming the modification, 1 Tax Processing Tech for every 15,000 errors generated by this section and 1 Tax Processing Tech for every addition 3,000 pieces of correspondence regarding this subtraction.

MINITS, Speedup and all PC applications will need to be modified for the line on the Form MO-A. DOR estimates that 1,384 hours of programming will be needed at a cost of \$46,170.

ASSUMPTION (continued)

Section 167.420.1(5) refers to corporations as a potential eligible tutor. If corporate-sponsored individuals qualify the corporation under this section to take advantage on its tax return, DOR assumes additional COINS programming will be needed. Programming estimates would be 1,730 hours at a cost of \$57,713

Oversight has, for fiscal note purposes only, changed the starting salary for the Tax Processing Technicians and the Tax Collection Technicians to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

This proposal would decrease Total State Revenues through tax deductions for time tutoring in public schools.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Loss - General Revenue</u>			
Tax deduction for time tutoring	\$0	(Unknown)	(Unknown)
<u>Cost - Dept. of Elementary & Secondary Education</u>			
Personal Service (1 FTE)	(\$19,520)	(\$40,016)	(\$41,017)
Fringe Benefits	(\$8,081)	(\$16,567)	(\$16,981)
Expense and Equipment	<u>(\$6,029)</u>	<u>(\$6,566)</u>	<u>(\$6,763)</u>
Total Costs - DES	(\$33,630)	(\$63,149)	(\$64,761)
<u>Cost - Dept. of Revenue</u>			
Personal Service (2 FTE, 2 temp)	\$0	(\$56,242)	(\$57,259)
Fringe Benefits	\$0	(\$16,838)	(\$17,259)
Equipment & Expense	\$0	(\$13,230)	(\$1,095)
Programming	<u>\$0</u>	<u>(\$103,883)</u>	<u>\$0</u>
Total Cost - DOR	<u>\$0</u>	<u>(\$190,193)</u>	<u>(\$75,613)</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$33,630)</u>	<u>(\$253,342 to Unknown)</u>	<u>(\$140,374 to Unknown)</u>

FISCAL IMPACT - Local Government

FY 2005
(6 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal creates an income tax deduction for the value of time spent tutoring in public schools, beginning with the 2005 tax year. The bill establishes a program to obtain tutors, who must pass a background check and be either a certificated teacher, a holder of a four-year degree from an accredited institution with one year of work experience, or a student who is within three semesters of graduating with an education degree. Tutors will work a minimum of 60 and a maximum of 180 hours in a school year and qualify for the deduction at the rate teacher assistants are paid in the participating school district, although the rate may be adjusted to increase pay for tutors working in districts experiencing academic difficulty. The Commissioner of Education must establish a procedure to evaluate the time spent, and district superintendents will provide certificates to tutors that must be attached to the tutor's income tax return. The bill also establishes a committee for tutoring in public schools that will issue a written recommendation in years when revenues are less than projected to discontinue the program for that fiscal year.

The provisions of the bill will expire six years from the effective date, and the sections of the bill that create the tax deduction and the tutoring program will terminate on September 1 of the calendar year after the calendar year in which the program is sunset.

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 Elementary and Secondary Education
Office of Administration
Division of Budget and Planning
Department of Revenue
State Senate
Missouri House of Representatives

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

Mickey Wilson, CPA
Director
February 27, 2004