

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3310-01
Bill No.: HB 871
Subject: Taxation and Revenue - Income: Department of Social Services
Type: Original
Date: April 7, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$246,871 to Unknown)	(\$188,036 to Unknown)	(\$190,677 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$246,871 to Unknown)	(\$188,036 to Unknown)	(\$190,677 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 5 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 of the **Department of Social Services (DOS)** state that it is unknown how many people would participate in this program. Also, it is uncertain if DOS would be asked to determine eligibility only for those individuals who had received such a gift or people would apply to DOS for proof of their eligibility so that they could solicit such donations. If DOS had to determine income eligibility for a new group of people, the cost would be very high. The process of taking applications, verifying income, issuing documentation, and periodically re-determining eligibility is very staff intensive. DOS believes that establishing a whole system of income reporting and verification would duplicate the functions of the Department of Revenue. DOS suggests that a person's income tax return would better serve as income verification. Therefore, DOS believes the fiscal impact would be zero to a negative unknown cost expected to exceed \$100,000.

Officials of the **Secretary of State (SOS)** stated that this proposal would create a tax credit for gifts of personal property to those with incomes below the federal Poverty level. The Department of Revenue, the Department of Social Services and the Office of Budget and Planning would promulgate rules to implement the proposal. Based on experience with other divisions, the rules, regulations and forms issued could require as many as 32 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in *Missouri Register* as in the *Code* because cost estimates and fiscal notes are not repeated in the *Code*. The estimated cost of

ASSUMPTION (continued)

a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The estimated cost of publication in FY 2005 for this proposal is \$1,968. Actual cost could be more or less and costs in future years would depend upon frequency and length of rules filed, amended, rescinded or withdrawn.

Secretary of State officials do not anticipate the need for additional staff as a result of this proposal; however, enactment of more than one similar proposal could, in the aggregate, require 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 of the **Department of Revenue** stated that Personal Tax will need one Tax Processing Tech for every 4,000 claims filed for verification and pre-edit and one Tax Processing Tech for every 3,000 additional pieces of correspondence received regarding this legislation.

Business Tax will need one Tax Processing Tech for every 3,680-credit applications on the corporate tax return to handle the pre-edit and verification.

Information Systems will need to modify the Missouri Individual Income Tax System (MINITS) and the Corporation Income Tax System (COINS) to allow for system processing of this credit. MINITS and COINS will take 692 hours of programming each for a total cost on programming of \$46,170. State Data Center charges will increase and this is estimated at \$9,570 for FY 2005..

Oversight has, for fiscal note purposes only, adjusted the salary for the Tax Processing Technicians to correspond to the second step above minimum for comparable positions on 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. Oversight assumes the new personnel would be placed in existing space.

None of the officials from the agencies responding felt they had a basis for estimating the amount of credits which might be taken. (Oversight notes that the United States Census Bureau's latest published estimate of Missourians living in households with income less than 100% of federal poverty level was 498,000 to 604,000 for 2002.)

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Cost</u> - Department of Social Services			
General Administration	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)
<u>Cost</u> - Department of Revenue (DOR)			
Personal Service (3 FTE)	(\$49,842)	(\$61,605)	(\$63,453)
Fringe Benefits	(\$20,634)	(\$25,504)	(\$26,269)
Expense and Equipment	<u>(\$76,395)</u>	<u>(\$927)</u>	<u>(\$955)</u>
Administrative Cost to DOR	(\$146,871)	(\$88,036)	(\$90,677)
<u>Loss</u> - Tax Credits	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$246,871 to Unknown)</u>	<u>(\$188,036 to Unknown)</u>	<u>(\$190,677 to Unknown)</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

Small businesses which made qualifying donations would be affected by this proposal.

DESCRIPTION

This proposal would authorize a state income tax credit for taxpayers who make gifts of personal property to persons whose income is below the federal poverty level. The credit for each gift would be limited to \$10,000 per occurrence and to \$50,000 per tax year. The credit would not be refundable but excesses could be carried forward for four (4) tax years.

The Department of Social Services would, by rule, provide methods for identifying persons whose incomes are below federal poverty level and for verifying the credit amount.

GVB:LR:OD (12/02)

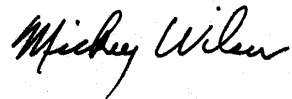
DESCRIPTION (continued)

This proposal contains a sunset clause.

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

SOURCES OF INFORMATION

Department of Revenue
Department of Social Services
Secretary of State

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

Mickey Wilson, CPA
Director
April 7, 2004