

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4401-01
Bill No.: HB 1562
Subject: Elderly; Taxation and Revenue - Income and Property
Type: Original
Date: March 26, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$4,903,803)	(\$6,220,913)	(\$7,468,310)
Total Estimated Net Effect on General Revenue Fund	(\$4,903,803)	(\$6,220,913)	(\$7,468,310)

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 from the **Department of Revenue (DOR)** state this legislation increases the maximum upper limit and minimum base for senior citizens property tax relief by the same percentage increase as the increase in the general price level as measured by the Consumer Price Index for all Urban Consumers (CPI - U), rounded to the nearest fifty dollar (\$50) increment, beginning January 1, 2005. It also increases the exemption for a claimant's spouse residing at the same address to \$4,000 (from \$2,000).

DOR assumes this legislation would increase the number of eligible Property Tax Credit (PTC) claims. DOR will have to modify the PTC tables on the Missouri Individual Income Tax System (MINITS) and Speedup Systems each year. DOR estimated that 692 hours of programming at a cost of \$23,085 will be needed, annually. Personal Tax will need One Tax Season Temporary for every 10,000 additional returns to be keyed and one Tax Processing Tech I for every 25,000 additional errors generated by this legislation (PTC has a 25% error rate) and one Tax Processing Tech I will be needed for every 3,000 additional pieces of correspondence created by this proposal.

DOR assumes this legislation will create additional walk-ins and phones calls for the new qualifiers in the tax assistance areas. One Taxpayer Service Rep I will be need for every 2,150 walk-ins to help complete their claims and One Tax Collection Tech I for every 24,000

ASSUMPTION (continued)

additional calls received.

Oversight has, for fiscal note purposes only, changed the starting salary for the four FTE positions requested by DOR 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. Oversight also assumes that the additional FTE requested would be employed for six months of FY 2005.

State Tax Commission (TAX) officials assume this legislation increases the maximum income level for qualifying for senior citizens/disabled persons property tax credit and will create losses to the General Revenue Fund. They have no basis for estimating the increase in the amount of circuit breaker credits granted. They state the proposal would not affect their agency.

Officials from the **Department of Health and Senior Services (DOH)** stated the proposed legislation would result in no fiscal impact to DOH.

Officials from the **University of Missouri Research Center (UMRC)** state this legislation indexes the maximum upper limit and minimum base for the circuit breaker relief to the CPI - U and raises the standard deduction for married filers from \$2,000 to \$4,000. UMRC officials assumed an inflation rate of 2.3% per year, with 2004 as the base year. Maximum and minimum brackets were calculated by multiplying the top and bottom income brackets by 1.023 and then rounding to the nearest \$50.

The simulation projects reduced net general revenues of approximately \$4,800,000 in 2005 and reduced net general revenues of approximately \$1.2 million to \$1.3 million in subsequent years.

Oversight notes that the indexing would not take place until tax year 2005 and would affect circuit breaker refunds beginning in FY 2006. Oversight also notes that the effects of the indexing would be cumulative compared to current law.

This legislation will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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GENERAL REVENUE FUND

<u>Loss - General Revenue Fund</u>			
Increase in Property Tax Credit	(\$4,784,904)	(\$6,066,462)	(\$7,309,919)

<u>Cost - Dept. of Revenue</u>			
Personal Service (1 Temp)	(\$7,785)	(\$8,019)	(\$8,259)
Personal Service (4 FTE)	(\$40,782)	(\$84,011)	(\$86,531)
Fringe Benefits	(\$20,107)	(\$38,100)	(\$39,243)
Expense and Equipment	(\$27,140)	(\$1,236)	(\$1,273)
Programming changes	<u>(\$23,085)</u>	<u>\$23,085</u>	<u>(\$23,085)</u>
Total Costs - DOR	<u>(\$118,899)</u>	<u>(\$154,451)</u>	<u>(\$158,391)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$4,903,803)</u>	<u>(\$6,220,913)</u>	<u>(\$7,468,310)</u>
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<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 bill changes the elements of qualification and the amount of credit allowed under the senior citizen/disabled person property tax credit, commonly known as circuit breaker. The bill:

- (1) Increases the amount of exemption allowed for a married couple from \$2,000 to \$4,000; and
- (2) Indexes the maximum income allowed and the minimum base to the change in the Consumer Price Index for all Urban Consumers (CPI - U) for each calendar year beginning on or after

GVB:LR:OD (12/02)

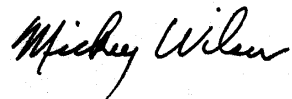
January 1, 2005.

DESCRIPTION

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

SOURCES OF INFORMATION

Department of Revenue
State Tax Commission
University of Missouri
Research Center
Department of Health and Senior Services

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

Mickey Wilson, CPA
Director
March 26, 2004