

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4567-02  
Bill No.: HCS for HB 1467 & 903  
Subject: Elderly, Property Tax, Income Tax  
Type: Original  
Date: May 4, 2004

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |            |                      |                      |
|-----------------------------------------------------------------------|------------|----------------------|----------------------|
| FUND AFFECTED                                                         | FY 2005    | FY 2006              | FY 2007              |
| General Revenue                                                       | \$0        | (\$1,393,264)        | (\$2,747,221)        |
|                                                                       |            |                      |                      |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>\$0</b> | <b>(\$1,393,264)</b> | <b>(\$2,747,221)</b> |

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

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

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--------------------------------------------|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2005</b> | <b>FY 2006</b> | <b>FY 2007</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Office of Administration, Division of Budget and Planning** and the **State Tax Commission** assume this proposal would have no impact to their organizations.

Officials from the **Department of Revenue** (DOR) assume this proposal would result in an increased number and amount of "Circuit Breaker" tax credit claims. DOR estimates total costs of \$168,012 for FY 2006 and \$143,387 for FY 2007 including salaries for three additional FTE and tax season temporary help, benefits, expense and equipment, and \$23,085 for 692 hours of programming for the income tax processing system. DOR noted that it had 11 full time and 26 temporary staff involved in processing 275,000 property tax claims each year, but DOR did not provide an estimate of the revenue impact of the proposal. DOR stated that only 22,000 claims for the 2002 tax year were for the \$750 maximum amount.

ASSUMPTIONS (continued)

**Oversight** has excluded any additional FTE from this fiscal note since the limited changes in this proposal should not lead to a material increase in the number of claims. Also, Oversight has reduced the estimated programming to 346 hours at a cost of \$11,543 consistent with the DOR response to a similar proposal in the previous session.

Officials from the **University of Missouri Research Center** (UMRC) assume that the proposal would index the income values assigned to the senior citizen property tax credit to inflation. The proposal specifies that inflation would be measured by the annual rate of change in the Consumer Price Index. Overall, UMRC estimates that the impact of the proposal would be to reduce net general revenues by approximately \$1.4 million in 2005.

The current version of the proposal would implement an increase in income brackets for FY 2005; the maximum credit amount of \$750 would be retained.

In subsequent years, only income brackets are affected by the indexation scheme. The simulation uses the 2.3% inflation rate from 2003 as the change in the Urban Consumer Price Index per year, with 2004 as the base year. The result is that net general revenues would fall between \$1.25 to \$1.5 million in each of the calendar years 2006-2009. The following table reflects the minimum and maximum income brackets used in calculating the estimate for the property tax refund credit. The data used are from 2002 income tax returns.

| Year                         | Minimum<br>Tax Bracket | Maximum<br>Tax Bracket | Estimated Year<br>to Year Change<br>in Tax Credit |
|------------------------------|------------------------|------------------------|---------------------------------------------------|
| 2004<br>(Current parameters) | 13,000                 | 25,000                 | 0                                                 |
| 2005                         | 13,300                 | 25,500                 | 1,381,721                                         |
| 2006                         | 13,600                 | 26,100                 | 1,353,957                                         |
| 2007                         | 13,900                 | 26,700                 | 1,321,116                                         |
| 2008                         | 14,200                 | 27,300                 | 1,292,102                                         |
| 2009                         | 14,550                 | 27,950                 | 1,483,392                                         |

**This proposal would reduce Total State Revenue.**

FISCAL IMPACT - State Government

FY 2005  
(10 Mo.)

FY 2006

FY 2007

SS:LR:OD (12/02)

# **GENERAL REVENUE FUND**

|                                                            |     |               |               |
|------------------------------------------------------------|-----|---------------|---------------|
| <u>Revenue reduction</u> - increased property tax credits. | \$0 | (\$1,381,721) | (\$2,735,678) |
|------------------------------------------------------------|-----|---------------|---------------|

|                                                             |  |            |            |
|-------------------------------------------------------------|--|------------|------------|
| <u>Cost</u> - Department of Revenue Programming - 346 hours |  | (\$11,543) | (\$11,543) |
|-------------------------------------------------------------|--|------------|------------|

|                                                     |                   |                             |                             |
|-----------------------------------------------------|-------------------|-----------------------------|-----------------------------|
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b> | <b><u>\$0</u></b> | <b><u>(\$1,393,264)</u></b> | <b><u>(\$2,747,221)</u></b> |
|-----------------------------------------------------|-------------------|-----------------------------|-----------------------------|

|                                         |                     |            |            |
|-----------------------------------------|---------------------|------------|------------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2005<br>(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 would liberalize the Senior Citizens Circuit Breaker Tax Relief program. The minimum base and maximum upper limit would be increased and indexed to the federal Consumer Price Index.

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

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SOURCES OF INFORMATION

Office of Administration  
Division of Budget and Planning  
Department of Revenue  
State Tax Commission  
University of Missouri Research Center

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

Mickey Wilson, CPA  
Director  
May 4, 2004