

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1279-03  
Bill No.: HCS for HB 649  
Subject: Elderly, Disabled, Property Taxes, Income Taxes  
Type: Original  
Date: March 11, 2005

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue *	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund *</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\* expected to exceed \$100,000.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>Other</u> 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 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> 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 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTIONS**

Officials from the **Department of Revenue** (DOR) assume this proposal would provide for a refundable credit against income tax for 50% of the real estate taxes paid by eligible taxpayers. Since it is a refundable credit, taxpayers who would not normally file returns would do so to get the refund. This would increase the number of returns filed. The proposal would include nontaxable income in the computation of the credit. This income is not currently included on the MO-1040. Personal tax would need to create a separate worksheet, and the worksheet would also need a line to add back non-business losses. This worksheet would add additional functions for the tax season temporary.

The 2000 US Census indicates that 755,379 people 65 year and over living in Missouri; 972,908 (19%) of the 5,120,568 population 5 and older have a disability; and 334,000 (7.9%) of the 4,227,906 population 16 and older have disability that is difficulty going outside of the home. The 2000 US Census indicates that 592,271 veterans live in Missouri.

The amount of filers for this credit is unknown. Some of these would already be filing a MO-1040 but there would also be residents that would file to claim the credit.

ASSUMPTIONS (continued)

DOR assumes Personal Tax would need the following staff to implement this legislation:

- 1 Speed-up Tax Season Temp for every additional 32,000-paper returns filed;
- 1 Giddy-up Tax Season Temp for every additional 10,705 1040P's filed;
- 1 Speed-up Tax Season Temp for the additional line added to the existing paper returns filed; and
- 1 Speed-up Tax Season Temp for the additional line added to paper 1040P's filed.

In addition, DOR assumes Information Technology would need to add the additional line and edit features to the MINITS programs, and the Speed-up and Giddy-up programs to handle the refundable credit. Mainframe programming would take 6 programmers 2 months to complete the additional line and edits needed to implement this legislation.

DOR Customer Assistance anticipates an increase volume in walk-ins, telephone calls and assistance in general.

The Division of Taxation would have internal costs estimated to be \$100,000 and additional Tax Season Temporaries associated with the implement of this legislation; however, the division believes it can manage these costs at current appropriation levels unless there is a material change in the division's other responsibilities.

State revenue would decrease proportionally to the amount of credit allowed/refunded.

Officials from the **State Tax Commission** assumed a previous version of this proposal would have no fiscal impact on their organization, and deferred to the Department of Revenue for an estimate of the impact to the state.

In response to a previous version of this proposal, officials from the **University of Missouri Research Center** (UMRC) noted that approximately 2500-3000 current filers would be eligible for this credit based on their age and filing status, and a property tax deduction in excess of 10% of total income reported on their tax returns. The estimated impact, based on the information available to UMRC, was a net revenue reduction of approximately \$6 million. UMRC officials reported that they did not have information regarding several categories of income which would be included in the computation of the credit, certain handicap conditions, and the length of time those persons had lived in their homesteads.

ASSUMPTIONS (continued)

**Oversight** assumes that this proposal would create an unknown reduction in revenue to the General Revenue Fund greater than \$100,000 beginning in FY 2007. This proposal would reduce total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
Revenue reduction - tax credit *	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *</b>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
* expected to exceed \$100,000.			
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<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 create a tax credit for elderly or disabled Missouri residents. For all years beginning on or after January 1, 2006, an eligible taxpayer who has paid more than ten percent of total household income in real property tax on his or her homestead, would receive a credit in an amount equal to fifty percent of the property taxes paid for such homestead. The tax credit would be claimed at the time the taxpayers file a return and would be applied against the income tax liability after all other credits provided by law have been applied. If the amount of the tax credit exceeds the tax liability, the difference would be refunded to the taxpayer.

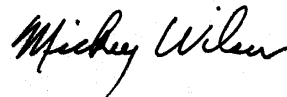
DESCRIPTION (continued)

A tax credit would be allowed if the taxpayer or spouse had attained the age of sixty-five on or before the last day of the calendar year or is disabled, had been a resident of Missouri for twenty years, and had lived in their homestead for at least twenty years. The residency requirement would be met if the person sixty-five years of age or older who would have otherwise met the requirements for the tax credit dies before the last day of the calendar year. If the persons are eligible to file a joint federal income tax return and reside at the same address at any time during the taxable year, then the credit would only be allowed on a combined Missouri income tax return reporting their combined incomes and property taxes.

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  
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  
March 11, 2005