

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0658-01
Bill No.: HB 168
Subject: Elderly; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: March 6, 2007

Bill Summary: Would provide an income tax credit for resident taxpayers who are 65 years of age or older with an adjusted gross income of \$9,570 or less.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(More than \$77,818,319)	(More than \$77,825,737)	(More than \$77,832,508)
Total Estimated Net Effect on General Revenue Fund	(More than \$77,818,319)	(More than \$77,825,737)	(More than \$77,832,508)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> 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 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	7.0	7.0	7.0
Total Estimated Net Effect on FTE	7.0	7.0	7.0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would provide a tax credit of \$1,000 for taxpayers who are 65 years of age or older with a Missouri adjusted gross income of \$9,750 or less. BAP officials assume the proposal would have no fiscal impact to their organization and defers to the Department of Revenue for an estimate of the revenue loss to the state as a result of this proposal.

Officials from the **Department of Revenue** (DOR) assume this proposal would create a refundable credit in the amount of \$1,000 for resident taxpayer age 65 or older, with a Missouri Adjusted Gross Income of \$9,570 or less. The credit could only be claimed when the taxpayer files a return. The amount of credit that exceeds the individual's tax liability could not be transferred, but would be refunded to the taxpayer.

DOR would administer the provisions of this section and assumes that individuals who would not normally be required to file would file in order to receive a refund. The additional credit would cause an increase in forms production due to taxpayers filing who would not otherwise file; however, DOR cannot determine at this time how many additional forms would be required.

DOR assumes this proposal would create a large number of walk-in taxpayers and phone calls. Customer Service would require 1 Tax Collection Technician I for every 24,000 contacts on the tax inquiry line and 1 Tax Processing Technician I for every additional 4,800 contacts in the field offices. DOR anticipates most customers will contact the department via phone; therefore, will only request 1 FTE for each of the larger field offices including Kansas City, St. Louis, and Springfield.

DOR also assumes Personal Tax would require 2 Temporary Tax Employee for key-entry, 1 Tax Processing Technician I for every 19,000 returns to be verified by Quality Review, and 1 Tax Processing Technician I for every 2,400 pieces of correspondence. Personal Tax would will also require 2 Temporary Tax Employees for key-entry of 1040P & PTC forms, and 1 Tax Processing Technician I for every additional 5,000 verified returns plus correspondence on the 1040P/PTC forms.

ASSUMPTION (continued)

Information Technology (ITSD/DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. ITSD DOR estimates that this legislation could be implemented utilizing 5 existing CIT III for 3 months at a cost of \$62,790.

DOR submitted a cost estimate including seven additional FTE and related equipment and expenses totaling \$300,564 for FY 2008, \$322,727 for FY 2009, and \$330,905 for FY 2010.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions 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 has also adjusted the DOR equipment and expenditure amounts in accordance with OA budget guidelines. Finally, Oversight assumes that the additional staff could be accommodated in existing office space. If unanticipated additional costs are incurred or if multiple proposals are enacted which increase DOR costs, resources could be requested through the budget process.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC) assume this proposal would provide a tax credit for rewidet indioividual taxpayers who satisfy two criteria: (i) they must be 65 years or older; (ii) have Missouri adjusted gross income less than or equal to \$9,570. EPARC estimated the impact of this proposal as \$12 million per year.

Oversight has estimated the fiscal impact using information from the Tax Expenditure Report prepared by the State and Regional Fiscal Studies unit at the University of Missouri- Columbia. Based on 2005 tax returns, the report indicates there were approximately 77,600 filers who could be eligible for this tax credit. Since the availability of a credit would likely increase the number of filers, Oversight assumes the tax impact of this proposal would be more than \$77.6 million per year.

This proposal would reduce Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u>			
Personal Service - 7 FTE	(\$124,740)	(\$154,179)	(\$158,804)
Fringe Benefits	(\$54,960)	(\$67,931)	(\$69,969)
Expense and Equipment	<u>(\$38,619)</u>	<u>(\$3,627)</u>	<u>(\$3,735)</u>
Total	<u>(\$218,319)</u>	<u>(\$225,737)</u>	<u>(\$232,508)</u>
Revenue reduction - tax credits	<u>(More than \$77,600,000)</u>	<u>(More than \$77,600,000)</u>	<u>(More than \$77,600,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$77,818,319)</u>	<u>(More than \$77,825,737)</u>	<u>(More than \$77,832,508)</u>
Estimated Net FTE Change for General Revenue Fund	7.0 FTE	7.0 FTE	7.0 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<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.

FISCAL DESCRIPTION

This proposal would provide an income tax credit for resident taxpayers who are 65 years of age or older with an adjusted gross income of \$9,570 or less.

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

Office of Administration
Division of Budget and Planning
Department of Revenue
University of Missouri
Economic Policy Analysis and 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 6, 2007