

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0751-01
Bill No.: HB 452
Subject: Department of Revenue, Income Tax, Tax Credit
Type: Original
Date: February 23, 2007

Bill Summary: Would allow a personal income tax credit for costs incurred due to electric power outage.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$649,809 to Unknown)	(\$674,444 to Unknown)	(\$694,677 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$649,809 to Unknown)	(\$674,444 to Unknown)	(\$694,677 to Unknown)

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	19.0	19.0	19.0
Total Estimated Net Effect on FTE	19.0	19.0	19.0

☐ 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 the Secretary of State (SOS)** provided the following response:

Many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Economic Development, Public Service Commission**, assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Revenue (DOR)** assume the proposal would establish a tax credit equal to the total cost of hotel, motel, or replacement of spoiled food when power is out for 3 days or longer. The credit would be available beginning January 1, 2007, but a taxpayer who incurred these costs in the tax year beginning January 1, 2006, could file an amended return to claim a credit for their costs. If the amount of costs incurred is more than the taxpayer's tax liability, the excess would be refunded. The credit would not be transferable. DOR would administer the program, and verify with the electric utility company that the taxpayer's home was without power for 3 or more days.

DOR officials stated that the Public Service Commission reported there were 442,996 customers without power for 3 plus days due to storms in July 2006. In December 2006, there were 247,116 customers without power for 3 plus days, due to ice and snow storms. The two outages total 690,112 customers with extended outages for the 2006 tax year. DOR does not know many of the 690,112 customers were without power on both occasions, or how many would meet the definition of taxpayer.

ASSUMPTION (continued)

Personal Tax would require 1 Tax Processing Technician I for every 4,000 credits claimed. DOR estimated that 10% of the 690,112 customers would file a claim; this would equal 69,011 claims. Personal Tax would require 17 Tax Processing Technician I and 1 Revenue Section Supervisor. DOR stated that Personal Tax would require additional FTE in order to verify eligibility unless the utility companies provide their information to DOR in electronic form.

Customer Service estimates there would be calls from at least 20% of the customers. Customer Service can normally handle 19,500 contacts on an annual basis; they are assuming the need for 1 Tax Collection Technician I since Customer Service does not anticipate continuous contact from these customers.

In summary, DOR provided an estimate of the cost of this program including 19.0 FTE and the related equipment and expenses, totaling \$726,383 for FY 2008, \$756,929 for FY 2009, and \$785,351 for FY 2010. DOR did not provide an estimate of the tax credits which would be claimed.

Oversight has, for fiscal note purposes only, changed the starting salary for the new 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 estimates in accordance with OA budget guidelines.

Oversight assumes that at least 10% of power company customers without power for more than three days would claim a tax credit. Oversight is not able to estimate the amount of credits that would be claimed and will indicate an unknown cost greater than \$100,000 for the tax credits.

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 - DOR</u>			
Personal Service (19.0 FTE)	(\$347,970)	(\$430,091)	(\$442,994)
Fringe Benefits	(\$153,316)	(\$189,498)	(\$195,183)
Expense and Equipment	(\$148,523)	(\$54,855)	(\$56,500)
Tax Credits *	(Unknown)	(Unknown)	(Unknown)
Total	<u>(\$649,809 to Unknown)</u>	<u>(\$674,444 to Unknown)</u>	<u>(\$694,677 to Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	<u>(\$649,809 to Unknown)</u>	<u>(\$674,444 to Unknown)</u>	<u>(\$694,677 to Unknown)</u>

* Unknown expected to exceed \$100,000 per year.

Estimated Net FTE Change for General Revenue Fund	19.0	19.0	19.0
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<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.

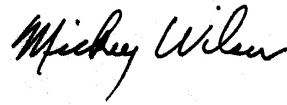
FISCAL DESCRIPTION

This proposal would allow a personal income tax credit for costs incurred due to electric power outage.

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 the Secretary of State
Department of Revenue
Department of Economic Development
Public Service Commission

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

Mickey Wilson, CPA
Director
February 23, 2007