

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1084-03
Bill No.: SCS for HCS for HB 457
Subject: Elderly; Housing; Revenue Dept.; State Tax Commission; Taxation and
Revenue - Property
Type: Original
Date: May 9, 2007

Bill Summary: Would increase the property tax relief for the senior citizens' program known as circuit breaker.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$100,228)	(\$1,042,913)	(\$1,017,548)
Total Estimated Net Effect on General Revenue Fund	(\$100,228)	(\$1,042,913)	(\$1,017,548)

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 5 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
Total Estimated Net Effect on FTE	0	0	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 **Department of Revenue** (DOR) assume this proposal would change the income limits for taxpayers filing a Property Tax Credit claim. The proposal first increases the upper income limit by \$500 and the lower limit by \$300 beginning Jan 1, 2008. After that time, the limits would increase every year in a percentage equal to the CPI index increase.

DOR stated that Personal Tax would require 1 Temporary Tax Employee for every additional 10,705 returns filed, and 1 Tax Processing Technician I for every additional 25,000 returns to be verified and for correspondence, due to the income limitation changes found in this legislation.

Further, DOR stated that Customer Assistance would anticipate a greater volume of customer contacts. They would require 1 Tax Collection Technician I for every 15,000 calls a year on the income tax hot line due to lack of documentation. They would also need 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 office including Kansas City, St. Louis, and Springfield.

DOR submitted a cost estimate including four additional FTE and related equipment and expenditures totaling \$160,071 for FY 2008, \$170,056 for FY 2009, and \$174,374 for FY 2010. In response to a similar proposal in the previous session (HB 1354 LR 3865-01), DOR estimated three new FTE would be required. Oversight will use the previous estimate; if unanticipated additional costs are incurred or if multiple proposals are enacted which impose additional costs, DOR could request resources through the budget process.

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 expense estimate in accordance with OA budget guidelines. Oversight assumes that the small number of additional staff could be situated in existing office space.

ASSUMPTION (continued)

Officials from the **University of Missouri, Economic Policy and Research Center (EPARC)** stated that this proposal would increase property tax relief for senior citizens. Beginning in 2008, the upper income limit would be increased to \$25,000. Over time, the upper income limit would be indexed to the rate of change in the consumer price index. Similarly, the minimum tax bracket would also be indexed to the same measure of inflation. EPARC used an estimated inflation rate of 3.2 percent per year and estimated the change in the tax credit would be as follows:

FY 2008	\$0 No change in credit
FY 2009	\$937,973 increase in credit
FY 2010	\$909,501 increase in credit
FY 2011	\$1,705,699 increase in credit
FY 2012	(\$835,303) decrease in credit

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

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	(\$53,460)	(\$66,077)	(\$68,059)
Fringe Benefits	(\$23,554)	(\$29,113)	(\$29,987)
Tax Season Temporary	(\$6,663)	(\$8,195)	(\$8,400)
Expense and Equipment	<u>(\$16,551)</u>	<u>(\$1,555)</u>	<u>(\$1,601)</u>
Total cost - Department of Revenue	<u>(\$100,228)</u>	<u>(\$104,940)</u>	<u>(\$108,047)</u>
<u>Revenue reduction - Property Tax Credit</u>	<u>\$0</u>	<u>(\$937,973)</u>	<u>(\$909,501)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$100,228)</u>	<u>(\$1,042,913)</u>	<u>(\$1,017,548)</u>

FISCAL IMPACT - Local Government

FY 2008
(10 Mo.)

FY 2009

FY 2010

\$0

\$0

\$0

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 increase the property tax relief for the senior citizens' program known as circuit breaker.

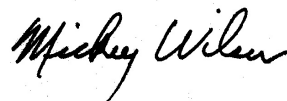
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
University of Missouri
Economic Policy and Research Center

NOT RESPONDING

**Office of Administration
Division of Budget and Planning**



Mickey Wilson, CPA
Director
May 9, 2007