

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3243-02
Bill No.: HB 1321
Subject: Elderly; Revenue Dept.; Taxation and Revenue - General; Taxation and
Revenue - Income; Taxation and Revenue - Property
Type: Original
Date: January 16, 2008

Bill Summary: Would change senior citizens property tax relief provisions and extend the assessment fund withholding from local property tax collections.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$1,333,819)	(\$2,336,759)	(\$3,507,191)
Total Estimated Net Effect on General Revenue Fund	(\$1,333,819)	(\$2,336,759)	(\$3,507,191)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	8	8	8
Total Estimated Net Effect on FTE	8	8	8

☐ 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 2009	FY 2010	FY 2011
Local Government *	\$0	\$0	\$0

* Net of offsetting revenue increase and reduction.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there would be no added cost to the Office of Administration/Budget and Planning as a result of this proposal.

BAP officials stated that the proposal would raise the maximum credit for the Circuit Breaker program from \$750 to \$800, and change the minimum base income to \$15,000. Upon inquiry, the Department of Revenue estimated the number of possible taxpayers income under the new minimum base, but receiving the maximum credit of \$750, at 33,611. Assuming each taxpayer now receives the \$800 credit, this proposal could lower general and total state revenues by \$1.68 Million.

Officials from the **Department of Revenue** (DOR) noted that this proposal would change the Senior Citizens Property Tax Credit program as follows:

- * Increase the maximum rent or property tax amount to \$800.
- * Increase the spousal deduction for married individuals from \$2,000 to \$4,000.
- * Increase the maximum taxpayer refund from \$750 to \$800.
- * Establish a new income ceiling effective January 1, 2008. The maximum total income would change from \$27,000 to \$32,500 for single, head of household, qualifying widow(er), and married separate filers, and \$36,500 for married filing combined.
- * Raise the minimum base after January 1, 2008 to \$15,000.

DOR officials assume that this proposal would require refunds issued by the state to increase and in essence, decrease General Revenue. DOR officials also stated that this proposal would extend the sunset date for assessment fund withholding from local property tax collections.

ASSUMPTION (continued)

DOR submitted a cost estimate to implement this proposal including eight additional FTE and related equipment and expense, totaling \$319,063 for FY 2009, \$340,296 for FY 2010, and \$350,505 for FY 2011.

DOR officials also provided an estimate of the IT cost to implement the proposal from the **Office of Administration, Information Technology Services Division** (ITSD/DOR). ITSD/DOR assumes the IT portion of this request could be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed. ITSD/DOR estimates that this legislation could be implemented utilizing 2 existing CIT III for 3 months for modifications to MINITS at a total cost of \$25,116.

Oversight has, for fiscal note purposes only, changed the starting salary 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 equipment and expense amounts in accordance with OA Budget Guidelines, and Oversight assumes the limited number of additional FTE could be accommodated in existing office space.

Officials from the **State Tax Commission** (TAX) assume this proposal would have no fiscal impact on their organization. TAX officials also provided statewide annual assessment fund totals of \$3.71 million for 2005 (FY 2006) and \$3.83 million for 2006 (FY 2007).

Oversight notes that this proposal would extend the sunset for assessment fund withholding from December 31, 2009 (FY 2010) to December 31, 2012 (FY 2013). Oversight assumes that assessment fund withholding for FY 2010 would have been collected on or before December 31, 2009 and there would be no significant fiscal impact on FY 2010. Oversight will include an estimate of the assessment fund withholding for FY 2011 in this fiscal note.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (EPARC) assume this proposal would change the senior citizen property tax credit program, resulting in an increase in credits of \$1,068,000 for FY 2009, \$991,000 for FY 2010, and \$1,162,000 for FY 2011.

Oversight will use the EPARC estimate of additional tax credits for this fiscal note.

ASSUMPTION (continued)

Officials from the **Office of the St. Louis County Collector** assume this proposal would have no fiscal impact on their organization.

This proposal could reduce total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - additional tax credits	(\$1,068,000)	(\$2,059,000)	(\$3,221,000)
<u>Cost</u> - Department of Revenue			
Personal Service - 8 FTE	(\$146,800)	(\$181,445)	(\$186,888)
Temporary employees	(\$6,695)	(\$8,275)	(\$8,523)
Fringe Benefits	(\$67,875)	(\$83,894)	(\$86,411)
Expense and Equipment	<u>(\$44,449)</u>	<u>(\$4,145)</u>	<u>(\$4,269)</u>
	<u>(\$265,819)</u>	<u>(\$277,759)</u>	<u>(\$286,091)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,333,819)</u>	<u>(\$2,336,759)</u>	<u>(\$3,507,091)</u>
Estimated Net FTE Effect on General Revenue Fund	8	8	8

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
<u>Revenue increase</u> - County assessment funds	\$0	\$0	\$4,280,000
<u>Revenue reduction</u> - Taxing authorities	<u>\$0</u>	<u>\$0</u>	<u>(\$4,280,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<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.

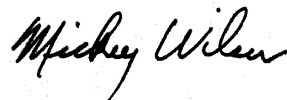
FISCAL DESCRIPTION

The proposed legislation would change senior citizens property tax relief provisions and extend the assessment fund withholding from local property tax collections.

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
State Tax Commission
University of Missouri
Economic and Policy Analysis Research Center
Office of the St. Louis County Collector



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Director
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