

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3894-01
Bill No.: HB 1485
Subject: Energy; Environmental Protection; Housing; Revenue Dept.; Taxation and
Revenue - Income
Type: Original
Date: January 28, 2008

Bill Summary: Would provide an income tax deduction for purchasing residential solar or fuel cell energy devices.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(Less than \$100,000)	(Less than \$100,000)

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** assume there would be no added cost to their organization as a result of this proposal. The proposal would create a deduction for the purchase of alternate electricity generating equipment for residential properties, and would reduce general and total state revenues by an unknown amount.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would allow taxpayers who use specified types of fuel cell or solar power to generate electricity for their residences to claim a tax deduction. Starting January 1, 2008, an individual could claim a deduction for the lesser of 50% of the purchase price of a qualified fuel cell property or \$500, and the owner of a qualified solar energy property may claim a deduction for the lesser of 50% of the purchase price or \$2,000. DNR may be asked to provide photovoltaic and/or fuel cell information/assistance during the implementation of this proposal. DNR would not anticipate a direct fiscal impact from this proposal.

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

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 the 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 could 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.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would allow a taxpayer to take a deduction for the lesser of fifty percent of the purchase price of any qualified fuel cell property or \$500; and the lesser of fifty percent of the purchase price of any qualified photovoltaic property or \$2,000. The deduction would be available for all taxable years beginning on or after January 1, 2008. DOR would promulgate rules for the deduction.

DOR officials estimated the administrative impact as follows:

Personal Tax would require two additional Temporary Tax Employees for key-entry, one additional Tax Processing Technician I to verify every 19,000 returns, and one additional Tax Processing Technician I for every 2,400 pieces of correspondence.

Customer Assistance would require one additional Tax Collections Technician I for every additional 15,000 contacts, annually, on the delinquent tax phone line, one additional Tax Collections Technician I for every additional 24,000 contacts, annually, on the income tax line, and three additional Tax Processing Technician I for every additional 4,800 contacts in the field offices. Customer Assistance anticipates the increase in contacts to be significant enough to request 1 Tax Processing Technician I for each of the larger field offices, Kansas City, St. Louis, and Springfield..

In summary, DOR estimated the total cost to implement this proposal including additional personnel, fringe benefits, equipment, and expenditures at \$276,792 for FY 2009, \$295,434 for FY 2010, and \$304,297 for FY 2011.

DOR officials also provided this estimate of the IT cost to implement the proposal.

The Office of Administration, Information Technology Services Division (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 the cost to implement this proposal utilizing 1 existing CIT III for 1 month for modifications to MINITS would be \$16,744.

ASSUMPTION (continued)

Oversight has researched sales information for qualified energy generating units, and found that US sales of photovoltaic units was 16,041 in 2005. There was no information available regarding energy cell unit sales. If the state of Missouri accounts for 1.8% of US total units, then Missouri unit sales of photovoltaic (solar panel) installations would have been 289 in 2005. For the purposes of this fiscal note, Oversight assumes that unit sales would be constant although US and state incentives could result in significant unit sales increases.

Oversight notes that the estimated number of Missouri sales would include installations on residential, commercial, and public property, and assumes that this proposal would result in a limited number of additional deduction claims which could be implemented with existing staff. If unanticipated costs are incurred or if multiple proposals are implemented which cause an additional workload, resources could be requested through the budget process

Oversight assumes this proposal would result in a reduction in general revenue and total state revenues of less than \$100,000 per year, and that the January 1, 2009 effective date would result in lost revenue beginning in FY 2010.

This proposal could reduce total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
Revenue reduction - Personal income tax deductions_____	\$0	(Less than \$100,000)	(Less than \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact for small businesses which sell or install residential solar or fuel cell energy devices.

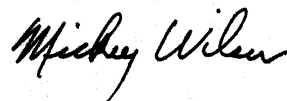
FISCAL DESCRIPTION

This proposal would provide a tax deduction to purchasers of residential solar panel and energy cell installations.

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
Office of Administration
 Division of Budget and Planning
Department of Economic Development
 Division of Business and Community Services
 Missouri Housing Development Commission
 Public Service Commission
Department of Natural Resources
Department of Revenue



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Director
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