

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4085-01  
Bill No.: HB 1695  
Subject: Housing; Revenue Dept.; Taxation and Revenue - Property  
Type: Original  
Date: February 20, 2008

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Bill Summary: Would increase the amount of the senior citizens property tax credit.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
General Revenue	\$0	(More than \$1,800,000)	(More than \$1,800,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(More than \$1,800,000)</b>	<b>(More than \$1,800,000)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

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### ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume the proposed legislation would not result in additional costs or savings to their organization.

BAP officials estimated the fiscal impact to this proposal to the state as follows. This proposal would increase the cap on the Senior Property Tax Credit from \$750 to \$1500. BAP notes that \$93.1M in refunds were issued in FY07, therefore, this proposal could lower general and total state revenues by \$93.1M in FY09. This proposal would also make changes to the income limits and thresholds in the program. BAP defers to the DOR for any additional impacts resulting from these changes.

Officials from the **Department of Revenue** (DOR) assume the proposal would increase the property tax credit limits, which could result in more refunds. More refunds would reduce total state revenues.

This proposal would:

- \* change the deduction to total income for a claimant's spouse from \$2,000 to \$20,000 (spouse deduction);
- \* increase the property tax credit from \$750 to \$1,500;
- \* change the upper limit for tax years beginning on or after January 1, 2009, from \$27,500 to \$32,000;
- \* change the lower limit for tax years beginning on or after January 1, 2009, from \$14,300 to \$18,000; and

Beginning on or after January 1, 2010 the proposal would increase the maximum upper limit, the minimum base, and the spouse deduction, by the same percentage as the change in federal poverty guidelines.

DOR assumes that individual income tax form and instruction changes would be required; and MINITS system changes would be required.

Taxation would anticipate a significant increase in those who qualify and file for the Property Tax Credit due to the large increase in the spouse deduction. Individual Income Tax would require one FTE Temporary Tax Employee for every additional 11,000 returns filed, one FTE Tax Processing Technician I for every additional 25,000 returns to be verified and correspondence to be processed.

SS:LR:OD (12/02)

ASSUMPTION (continued)

Customer Assistance would require one FTE Tax Collection Technician I for every additional 24,000 contacts annually on the income tax phone line and seven FTE Tax Processing Technician I for every additional 4,800 contacts annually in the field offices. This assumption is being based on the knowledge that most claimants of this tax credit physically go to an office to have the department compute their credit and complete/file their forms.

DOR also provided an estimate of the IT cost to implement the proposal. Office of Administration, Information Technology Services Division (ITSD/DOR) estimates that this legislation could be implemented utilizing one FTE existing CIT III for 1 month for modifications to MINITS at a total cost of \$4,162. ITSD/DOR assumes the IT portion of this request could be accomplished with existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement.

DOR provided a total cost estimate to implement this proposal including nine additional FTE and related equipment and expenses for a total of \$337,780 for FY 2009, \$357,477 for FY 2010, and \$368,200 for FY 2011.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (EPARC) assume this proposal would have a fiscal impact of \$1.8 million in 2009 (FY 2010) and \$1.8 million in 2010 (FY 2011).

**Oversight** will use the EPARC estimate of fiscal impact; however, Oversight assumes that the impact of inflation will make the actual impact greater than the EPARC calculation. Oversight notes that the EPARC estimate of fiscal impact for the state would indicate only a nominal increase in the number of filers for this tax credit. Oversight assumes the limited number of applicants is due to the interaction between the projected effect of this proposal and other tax credit programs. Accordingly, Oversight assumes that DOR could assume the limited number of additional contacts with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - additional tax credits.	\$0	(Greater than <u>\$1,800,000</u> )	(Greater than <u>\$1,800,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(Greater than \$1,800,000)</u></b>	<b><u>(Greater than \$1,800,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

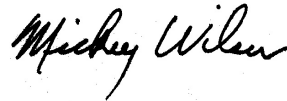
FISCAL DESCRIPTION

This proposal would increase the amount of the senior citizens property tax credit..

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 and Policy Analysis 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  
February 20, 2008