

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4695-01  
Bill No.: HB 1892  
Subject: Tax Credits; Energy  
Type: Original  
Date: April 4, 2008

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Bill Summary: Would allow taxpayers who use specified types of fuel cell or solar power to generate electricity for their residences to claim a tax deduction.

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<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.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
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>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
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 there would be no added cost to the Office of Administration/Budget and Planning as a result of this proposal. The proposal would create a personal income tax 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 Economic Development, Missouri Housing Development Commission and Public Service Commission**, assume this proposal would have no fiscal impact to their organizations.

Officials from the **Department of Natural Resources (DNR)** assume that DNR could be asked to provide photovoltaic and fuel cell information and assistance during the implementation of this proposal. DNR officials also stated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal would create a new tax deduction. Deductions reduce the amount of tax due; therefore, the proposal would reduce state revenues.

DOR officials noted that for all taxable years beginning on or after January 1, 2008, the proposal would allow any individual subject to Missouri state income tax a deduction for the purchase price of any qualified fuel cell property or any qualified photovoltaic property. The deduction amount would be equal to the lesser of fifty percent of the purchase price of any qualified fuel cell property or \$2,000, or fifty percent of the purchase price of any qualified photovoltaic property or \$8,000. DOR would promulgate the rules. The proposal would require changes to the individual income tax forms and instructions, and changes to the MINITS system.

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

ASSUMPTION (continued)

DOR also notes that an increase in Customer Assistance contacts would be expected due to returns adjusted as a result of inadequate documentation and estimates that Customer Assistance would require one FTE Tax Collections Technician I for every additional 15,000 contacts per year on the delinquent tax phone line, one FTE Tax Collections Technician I for every additional 24,000 contacts per year on the income tax line, and three FTE 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 one FTE Tax Processing Technician I each for the Kansas City, St. Louis, and Springfield offices.

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

The Office of Administration, Information Technology Services Division (ITSD/DOR) assumes the IT portion of this proposal could request be accomplished with existing resources; however, if priorities shift, additional FTE and/or overtime would be needed. ITSD/DOR estimates that this legislation could be implemented utilizing two existing CIT III for two months for modifications to MINITS at an estimated total cost of \$16,744.

DOR officials provided an estimated total cost to implement this proposal including seven additional employees and the related equipment and expenditures totaling \$270,871 for FY 2009, \$288,115 for FY 2010, and \$296,75 for FY 2011.

Officials from the **Office of the Secretary of State** (SOS) provided the following response to a similar proposal (HB 1485 LR 3894-01).

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)

**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, 2008 effective date would result in lost revenue beginning in FY 2009.

**This proposal could reduce total state revenue.**

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

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

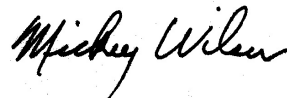
### FISCAL DESCRIPTION

This proposal would allow taxpayers who use specified types of fuel cell or solar power to generate electricity for their residences to claim a tax deduction.

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 Economic Development  
Missouri Housing Development Commission  
Public Service Commission  
Department of Revenue  
Department of Natural Resources



Mickey Wilson, CPA  
Director  
April 4, 2008