

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4645-01  
Bill No.: HB 1119  
Subject: Elderly; Taxation and Revenue - Property; Tax Credits; Counties  
Type: Original  
Date: January 24, 2014

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Bill Summary: This proposal would increase the maximum amount of the property tax credit, commonly known as the circuit breaker, by 25% for both homeowners and renters.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$5,717,898 to \$9,127,558)	(\$5,717,898 to \$9,127,558)	(\$5,717,898 to \$9,127,558)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$5,717,898 to \$9,127,558)</b>	<b>(\$5,717,898 to \$9,127,558)</b>	<b>(\$5,717,898 to \$9,127,558)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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 2015	FY 2016	FY 2017
<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 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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 may 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.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials note this proposal would increase the maximum amount of property tax or rent that can be offset by the property tax credit by 25%. Department of Revenue officials reported to BAP that this may allow more than 37,000 taxpayers to claim additional property tax credits, reducing Total State Revenues by \$8.3 million.

BAP officials also assume this proposal could impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would, beginning January 1, 2015, increase the amount available for the Property Tax Credit. If the proposal is implemented the property tax credit could not exceed \$937 in rent constituting taxes paid or \$1,375 in actual property tax paid.

## ASSUMPTION (continued)

### Fiscal impact

DOR officials assume the 25 percent increase in the property tax credit for homeowners and renters would have an estimated negative impact of \$8.3 million each year.

### Administrative impact

DOR officials stated in 2011, 31,558 renters and 6,327 owners received the maximum amount allowed for the Property Tax Credit. If each of these filers receive the maximum amount allowed under this proposal, the fiscal impact in the first year would be \$8.3 million.

DOR officials assume Collections & Tax Assistance (CATA) would require one additional Tax Collection Technician I for contacts on the non-delinquent tax line and one (1) Revenue Processing Technician I for contacts to field offices. Each additional employee would require CARES equipment.

The DOR response included two additional employees; with benefits, equipment, and expenses the DOR estimate of cost to implement the proposal was \$80,794 for FY 2015, \$82,710 for FY 2016, and \$83,570 for FY 2017.

**Oversight** notes this proposal would only increase the amount available in the existing property tax credit program and assumes the Department of Revenue could implement the proposal with existing resources. If unanticipated additional costs are incurred or if multiple proposal are implemented which increase the DOR workload, resources could be requested through the budget process.

### IT impact

DOR officials provided an estimate of the IT impact to implement this proposal of \$13,759 based on 504 hours of programming to make changes to DOR systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **University of Missouri, Economic and Policy Analysis Research Center (EPARC)** noted this proposal would, if enacted, increase the amounts of property taxes accrued and rent constituting property taxes accrued in determining the “circuit breaker” property tax credit by 25%. Specifically, the credit limit for homeowners would increase from \$1,100 to \$1,375 and the credit limit for renters would increase from \$750 to \$937.

Using 2012 income tax data, EPARC officials created baseline simulations for homeowners and for renters. The owners’ baseline has a minimum base of \$14,300, a maximum upper limit of \$30,000, a maximum credit of \$1,100 and a spouse deduction of \$4,000. The renters’ baseline has a minimum base of \$14,300, a maximum upper limit of \$27,500, a maximum credit limit of \$750, and a spouse deduction of \$2,000.

EPARC officials stated their baseline data for 2012 indicates there is currently \$107,151,960 in property tax credits being claimed. The EPARC baseline also indicated there is an additional \$26,426,195 in potential credits that are not being claimed by qualified taxpayers. Summing these two figures gives us the total amount of property tax credits that could be claimed under the current legislation by qualified taxpayers in 2012: \$133,578,155.

By increasing the credit limits for both owners and renters, this proposal would allow current claimants to increase their property tax credit from \$107,151,960 to \$112,869,858, an increase of \$5,717,898. It would also increase the amount of potential credits unclaimed by qualified taxpayers from \$26,426,195 to \$29,835,855, an increase of \$3,409,660.

**Oversight** notes the total increase, including current and potential claimants would be  $(\$5,717,898 + \$3,409,660) = \$9,127,558$ .

EPARC officials noted that the amounts calculated above indicate the prospective impact of the proposed change in the property tax credit using the latest available data from 2012; however, they stated they did not consider this information to be a forecast of future property tax credit claims nor an estimate of the impact of the proposal on state revenues.

**Oversight** will indicate a fiscal impact to the General Revenue Fund ranged from the additional cost of tax credits for current filers to the additional cost for all current and potential filers.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - DOR</u>			
Additional cost of property tax credit program	(\$5,717,898 to <u>\$9,127,558</u> )	(\$5,717,898 to <u>\$9,127,558</u> )	(\$5,717,898 to <u>\$9,127,558</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(\$5,717,898 to <u>\$9,127,558</u>)</b>	<b>(\$5,717,898 to <u>\$9,127,558</u>)</b>	<b>(\$5,717,898 to <u>\$9,127,558</u>)</b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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.

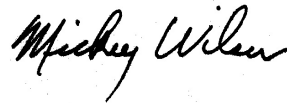
FISCAL DESCRIPTION

This proposal would increase the maximum amount of the property tax credit, commonly known as the circuit breaker, by 25% for both homeowners and renters.

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  
Joint Committee on Administrative Rules  
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  
January 24, 2014

Ross Strobe  
Assistant Director  
January 24, 2014