

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4179-01  
Bill No.: HB 1416  
Subject: Taxation and Revenue - Income, Elderly, Department of Revenue, Taxation and Revenue - General  
Type: Original  
Date: January 11, 2018

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Bill Summary: This proposal changes the laws regarding tax refunds so that certain senior citizen taxpayers may file a refund claim within five years instead of three years.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal may reduce Total State Revenue by an unknown minimal amount. This proposal would allow individual taxpayers, age 70 years or older, to file for a tax credit or refund within five years. Current law allows taxpayers to amend returns up to three years. Based on information from Department of Revenue (DOR), they do not currently collect age data on requests for refunds or amended returns. In addition, it is unknown how many individuals would choose to amend returns during the extra two years granted under this proposal. This proposal may impact the calculation under Article X, Section 18(e).

Therefore, B&P estimates that this proposal may have an unknown negative impact to Total State Revenue and General Revenue beginning in FY 2019 and annually thereafter.

**Department of Revenue** officials assume the bill authorizes a tax credit or refund of an overpayment of tax within five years of a major life event for a taxpayer who is at least 70 years old during the filing period. Under specific circumstances, the amount of credit or refund cannot exceed the portion of the tax paid during the five years preceding the filing of the claim. Currently, taxpayers may amend returns up to three years. It is unknown how many additional taxpayers may choose to amend their returns during the additional two years granted by this legislation.

The legislation requires programming support to implement the provisions of this section. The Personal Tax Section requires one Revenue Processing Technician I (\$26,340) for every 14,700 errors created, one Revenue Processing Technician I (\$26,340) for every 5,700 pieces of correspondence generated, and one Revenue Processing Technician I (\$26,340) for every 7,600 property tax credit errors / correspondence generated. The Collections & Tax Assistance Section requires one Tax Collection Technician I (\$26,340) for every additional 12,000 contacts annually on the non-delinquent tax line. The technician requires CARES equipment and license.

The FTE costs are projected to cost \$183,660 in FY 2019. The Department assumes it will be able to absorb the above listed costs. If multiple bills pass which require Department resources and updates, the Department could request additional FTE's and related equipment and expenses through the appropriation process.

Officials at the **University of Missouri's Economic and Policy Analysis Research Center (EPARC)** assume this proposal would change the laws regarding tax refunds so that it would extend the refund claim period for certain senior citizen taxpayers to five years instead of the

ASSUMPTION (continued)

typical three years.

Unfortunately, our individual income tax refund data does not identify the tax year of the original file, nor does it identify claimants by age. Therefore, we are unable to provide an impact estimate of this bill.

Based on agency responses, **Oversight** will assume this will create a minimal negative impact to Total State Revenue. Oversight will show the impact as \$0 (no additional refunds issued) to an Unknown loss of revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - additional refunds claimed \$143.801	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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 bill allows taxpayers over the age of 70 years old who experience certain major life events to file for an individual income tax refund claim or credit within five years instead of three years from the date the return was filed or, if no return was filed, from the date the tax was paid.

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

Department of Revenue  
Office of Administration  
Division of Budget and Planning  
University of Missouri's Economic and Policy Analysis Research Center

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director  
January 11, 2018