COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0175-02
Bill No.: SB 46
Subject: Taxation and Revenue - Income; Tax Credits; Disabilities; Housing
Type: Original
Date: January 21, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	($55,177)	$0 to ($95,000)	$0 to ($95,000)
Total Estimated Net Effect on General Revenue Fund	**($55,177)**	**$0 to ($95,000)**	**$0 to ($95,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other 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 2004	FY 2005	FY 2006
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would provide a tax credit for modifying the home of a disabled person. BAP has not been able to find any empirical basis to estimate the number of people who would utilize this credit and defer to the Department of Revenue and/or the Department of Social Services for estimating the fiscal impact of this proposal. This proposal would have no impact on the BAP.

Officials from the **Department of Social Services** assume this proposal provides tax credits for disabled accommodations and would not fiscally impact their agency.

Officials from the **Department of Revenue (DOR)** state this legislation creates a tax credit for any taxpayer, defined by the statute as any natural person, who incurs costs for the purpose of making all or any portion of such taxpayer's principal dwelling accessible to an individual with a disability who permanently resides with the taxpayer. The credit is graduated according to the taxpayer's federal adjusted gross income, but is not to exceed two thousand five hundred dollars, and is refundable. The legislation limits the aggregate amount of all tax credits allowed to ninety-five thousand dollars per tax year, and designates credit availability on a first-come, first-served basis.

ASSUMPTION (continued)

DOR assumes the refundable nature of the credit as drafted will limit the availability of the credit to 38 taxpayers per year. Therefore, DOR will not request additional FTE at this time. If DOR is wrong in the assumption, the following FTE will be needed :

> Personal Tax will need One Tax Season Temporary to handle the additional key entry and pre-edit of the credit; One Tax Processing Tech I for every 30,000 additional errors created by this legislation; and One Tax Processing Tech I for every additional 3,000 pieces of correspondence created by this legislation.
>
> Customer Assistance anticipates that there will be additional telephone calls to the income tax hotline regarding this credit and calls on the adjusted notices of refunds that are denied because of documentation on the credit. One Tax Collection Tech I will be needed for every 24,000 additional calls received on telephone number 751-3505. One Tax Collection Tech will be needed for every 15,000 calls received on 751-7200 regarding billings due to this credit. This credit could increase walk-ins and phone calls. One Taxpayer Services Rep I will be needed for every 2,149 additional walk-ins.

DOR assumes this tax credit is likely to require a change in procedure in the Division of Taxation for keeping track of the amount of tax credits used in a given year. This would require a change in procedure and in information technology to accommodate the credit. The Division of Taxation would have to modify the individual income tax system and PC systems to allow for taxpayers to take the credit. DOR estimates that 1,384 hours of programming and testing will be needed at a cost of $46,170. State Data Center costs are estimated to be $9,007.

DOR assumes the tax credit is likely to cause taxpayer confusion because the tax credit is requested after the taxpayer has remodeled and has filed their taxes, but may not be available to the taxpayer since the credit has a $95,000 annual cap. The Division of Taxation would have to issue Notices of Adjustment to taxpayers who believed they were eligible for the credit, but could not receive the credit due to the cap. DOR assumes an unknown cost for postage will be needed.

DOR assumes certification or pre-certification for eligibility for the credit would be necessary to ensure the credit is given to persons whom the credit is intended to benefit. Pre-certification for eligibility for the credit would be beneficial to both the Division of Taxation and to the taxpayer, but would require administrative costs.

ASSUMPTION (continued)

Since **Oversight** assumes the number of taxpayers that would actually take advantage of this credit will be smaller than the work measures listed by DOR for additional staff, Oversight assumes any FTE needed could be requested in the normal budget process. The programming costs and State Data Center charges are reflected in the fiscal impact.

Officials from the **Secretary of State (SOS)** assume this bill provides a tax credit for modifying a home for a disabled person. This could create new rules or amendments by the Department of Revenue which could result in SOS publishing rules in the Missouri Register and the Code of State Regulations. This action could require as many as approximately 4 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost for FY 2004 is $246. The estimated cost of a page in the Missouri Register is $23. The estimated cost of a page in the Code of State Regulations is $27. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Since no information or statistics are available for the modification expenses for housing access, **Oversight** estimates the revenue impact based on information received from the Kansas Department of Revenue from their Disabled Access Credit. Using the individual portion of the Kansas tax credit claims, the revenue loss to Kansas for the 2000 tax year from this credit was $118,747. Adjusting this amount for Missouri's larger population based on the 2001 U.S. Census data, this tax credit would reduce revenue in Missouri by $252,337. No adjustment has been made for the tax credit cap of $2,500 per person, per year or the income limits. Since the aggregate amount of the tax credit caps at ninety-five thousand per year, **Oversight** assumes the revenue impact for this substitute would be zero to $95,000 for FY 2005 and FY 2006.

This legislation would decrease Total State Revenues.

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
Loss to General Revenue Fund			
Accessible Home Tax Credit Program	$0	($0 to $95,000)	($0 to $95,000)
Cost - Department of Revenue			
Programming costs	($55,177)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($55,177)**	**$0 to ($95,000)**	**$0 to ($95,000)**

FISCAL IMPACT - Local Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal will enable a taxpayer making less than $30,000 per year who modifies their home to be accessible to a disabled person who resides with the taxpayer to claim a credit against their income tax for one hundred percent of the costs of modification, up to $2,500. For taxpayers with a federal adjusted gross income between $30,000 and $60,000, a credit will be allowed in an amount equal to fifty percent of the costs of modification, up to $2,500. All tax credits will be refundable, up to $2,500 per year. The credits are not transferrable and are capped at ninety-five thousand dollars annually.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

KS:LR:OD (12/02)

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Budget and Planning
Department of Social Services
Secretary of State

Mickey Wilson

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Director
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