

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0432-01  
Bill No.: SB 20  
Subject: Taxation and Revenue - Income; Tax Credits; Education - Elementary and Secondary; Teachers  
Type: Original  
Date: January 31, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$0	(\$17,482,807)	(\$17,780,329)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$17,482,807)</b>	<b>(\$17,780,329)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on Other 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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a tax credit, up to \$250, for a teacher's expenditures for instructional materials. The tax credit will not be eligible to anyone not filing a timely return. The tax credit is non-refundable, and can be carried over to the next five succeeding tax years. The taxpayer must qualify as a teacher pursuant to Section 163.011(15), RSMo. The tax credit is effective for tax years on or after January 1, 2006.

DOR stated, in a similar prior fiscal note, the Department of Elementary and Secondary Education indicated there were approximately 61,000 classroom teachers eligible to claim the tax credit. In order to process the tax credit, DOR will need one Tax Processing Technician I for every 6,000 new credits claimed per year and one Tax Season Temporary for every 32,000 credits claimed per year. Also, one Tax Processing Technician I will be needed for every 3,000 pieces of correspondence generated from this legislation. Therefore, in order to maintain the current processing time for all tax returns, DOR will need 12 FTE to process and verify the tax credit.

DOR assumes this legislation will require modifications to the income tax system and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of overtime at a cost of \$46,170. Modifications to the income tax return and schedules will be completed with existing resources. State Data

ASSUMPTION (continued)

Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the twelve Tax Procession Tech I positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Department of Elementary and Secondary Education (DES)** estimate the fiscal impact as follows:

1. Approximately 66,211 classroom teachers would be able to claim up to \$250 in expenses for instructional materials purchased and used in the course of their employment as a teacher.
2. 100% of teachers would incur expenses sufficient to claim the full amount of the credit.
3. The number of teachers would increase by 2.5% each year. This percentage is used to project the cost of this credit for FY 2006 at \$16,552,750, FY 2007 at \$16,966,569 and FY 2008 at \$17,390,733.

**Oversight** assumes since this legislation is effective for tax years beginning after January 1, 2006, the cost of this credit for FY 2006 would be zero. The revenue loss for FY 2007 is estimated at \$16,966,569 and for FY 2008 at \$17,390,733.

**This legislation will reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> - General Revenue Fund			
Instructional Materials Credit	\$0	(\$16,966,569)	(\$17,390,733)
<u>Cost</u> - Department of Revenue			
Personal Services (12 FTE)	\$0	(\$241,916)	(\$247,964)
Fringe Benefits	\$0	(\$103,202)	(\$105,782)
Expenses & Equipment	\$0	(\$115,943)	(\$35,850)
Reprogramming Costs	<u>\$0</u>	<u>(\$55,177)</u>	<u>\$0</u>
Total Costs - DOR	<u>\$0</u>	<u>(\$516,238)</u>	<u>(\$389,596)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(\$17,482,807)</u></b>	<b><u>(\$17,780,329)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
	<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.

DESCRIPTION

This bill authorizes an individual income tax credit of up to \$250 for instructional materials purchased by a teacher used in the course of employment as a teacher.

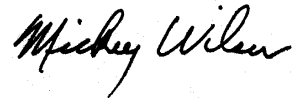
The credit will apply to tax year 2006 and thereafter.

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

L.R. No. 0432-01  
Bill No. SB 20  
Page 5 of 5  
January 31, 2005

SOURCES OF INFORMATION

Department of Revenue  
Department of Elementary and Secondary Education



Mickey Wilson, CPA  
Director  
January 31, 2005