COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4496-01
Bill No.: SB 877
Subject: Taxation and Revenue; Tax Credits; Disabilities; Housing
Type: Original
Date: January 31, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	$0 to ($100,000)	$0 to ($100,000)	$0 to ($100,000)
Total Estimated Net Effect on General Revenue Fund	**$0 to ($100,000)**	**$0 to ($100,000)**	**$0 to ($100,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Division of Budget and Planning (BAP)** assume this proposal authorizes a tax credit for modifications made to a home to accommodate a disabled person. There is a $100,000 aggregate cap for tax credits in this program. BAP assumes there would be a negative $100,000 impact annually to general and total state revenues. This proposal would have no impact on the Office of Administration or BAP.

Officials from the **Department of Social Services (DOS)** assume the program is administered by the Department of Revenue, so there is no fiscal impact to DOS.

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 proposal for Administrative Rules is less than $1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume the cap on Section 136.562.5 is $100,000 and the maximum amount of the credit is $2,500. This could possibly only be 40 credits be allowed. This would create phone calls, billings, and correspondence to increase.

Due to the documentation that DOR will need to have on each of the returns claiming this credit, Personal Tax will need 1 Tax Processing Tech for every 8,000 credit claims to handle the resolution, verification, processing and tracking of the credit and 1 Tax Season Temporary for every 32,000 claims. Since there is potential to only receive a total of 40 claims, PT will assume the additional workload can be handled with existing staff.

DOR also assumes this legislation will require modifications to individual and corporate income tax systems. Taxation estimates these modifications will require a MINITS programming costs of $46,170(1,384 hours). COINS will also need to be modified for a programming cost of 23,085 (692 hours). The DOR proposes to cover these costs with current IT staff. Effective July 1, 2006, DOR's IT staff will be moved to OA pursuant to consolidation, but DOR has no reason to believe this transfer will limit their ability to absorb these costs. In the event multiple new credits/deductions are passed, this cost could exceed current appropriation levels and result in additional funds being requested.

Customer Assistance anticipates that there will be additional telephone calls to the income tax hotline regarding this credit and on adjusted notices of refunds that are denied because of lack of documentation on the credit or credit cap had been reached. One Tax Collection Tech I will be needed for every 24,000 additional calls received on telephone number 751-3505 and One Tax Collection Tech will be needed for every 15,000 calls received on 751-7200 regarding billings due to the credit. These FTE will be requested through the regular budget process if the volume of contacts generated by this bill reach the levels mentioned here.

Since no information or statistics are available for the modification expenses for housing access, **Oversight** assumes the revenue impact for this proposal would be zero to $100,000 per fiscal year.

This legislation would result in a loss to Total State Revenue.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
Loss – General Revenue Fund			
Accessible Home Tax Credit Program	$0 to ($100,000)	$0 to ($100,000)	$0 to ($100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0 to ($100,000)**	**$0 to ($100,000)**	**$0 to ($100,000)**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposed legislation enables 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 making between $30,000 and $60,000, a credit will be allowed in the 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. The credit has a statewide maximum of $100,000 per year, subject to appropriation.

If any portion of the modification was claimed as a deduction on the taxpayer's federal income tax, then the amount of the tax credit shall be reduced by 1/3. The credit applies to tax years beginning January 1, 2006, and expires December 31, 2011.

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
Department of Social Services
Office of the Secretary of State

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Director
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