COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4496-04
Bill No.: SCS for SB 877
Subject: Taxation and Revenue - Income; Tax Credits; Disabilities; Housing
Type: Original
Date: March 13, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

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 **Department of Social Services** assume they would be able to use existing staff and resources to work with the Department of Revenue on the rules and regulations.

Officials from the **Office of Secretary of State (SOS)** state 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 SOS for Administrative Rules is less than $1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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 **Office of Administration - Budget and Planning (BAP)** state there is a $100,000 aggregate cap for tax credits in this program. BAP assumes this limit could be reached, thus there would be a negative impact of up to $100,000 to general and total state revenues.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state due to the documentation that they will have 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, Personal Tax will assume the additional workload can be handled with existing staff.

DOR's Information Technology state 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). DOR proposes to cover these costs with current IT staff. Effective July 1, 2006, DOR's IT staff will be moved to the Office of Administration pursuant to consolidation, but DOR has no reason to believe this transfer will limit the 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.

Officials from the **Department of Economic Development (DED)** state the changes in this bill take unused tax credit cap from the Rebuilding Communities program and utilizes them for tax credits to individuals that modify their homes for disabled persons. The cap of $100,000 for the disabled home tax credit will be from the $10 million overall cap. The credit is limited to $2,500 per taxpayer and credits must be used in tax year in which they were issued and are refundable. This would require DED to coordinate with the Department of Social Services. The cap for this program was reduced to $8 million, with $2 million transferred to Missouri Quality Jobs in 2005. Historically, the tax credit issuance from the Rebuilding Communities program is roughly $3 million per year.

DED assumes the need for one FTE Economic Incentive Specialist III (at $39,288 annually) to administer the disabled home tax credit program.

DED states the program takes part of the tax credits already authorized by another program so it creates no new liability to the state. However, DED anticipates $100,000 in tax credits will be used. This will result in actual cost to GR of the full $100,000 more than was formerly being used.

Due to the limited amount of tax credits under this program, **Oversight** assumes DED will be able to administer the program with existing resources.

ASSUMPTION (continued)

Since this proposal utilizes unused Rebuilding Communities tax credits for another program, this will result in an increased utilization of the tax credits. This program could result in an additional $100,000 in tax credits being used for persons that modify a home for a disabled person. However, since **Oversight** has already reflected the potential loss of the Rebuilding Communities tax credit program of up to annual limit, Oversight will assume this proposal does not increase the annual limit (of $8 million), and therefore, the fiscal impact of the proposal has already been reflected in a prior fiscal note. Therefore, even though this proposal will increase utilization of the tax credit program, Oversight will not reflect an additional loss of revenue to the General Revenue Fund.

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

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

This proposal 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

DESCRIPTION (continued)

to $2,500 per year. The credits are not transferrable. The credit has a statewide maximum of $100,000 per year. If eight million dollars in tax credits are not approved, for programs authorized under the rebuilding communities tax credit program, then up to the first one hundred thousand dollars in tax credits shall be used for the home modification tax credit created by this act.

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, 2007, and expires December 31, 2012.

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 Economic Development
Department of Revenue
Office of Administration - Budget and Planning
Department of Social Services
Office of the Secretary of State

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March 13, 2006