COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0161-01
Bill No.: SB 8
Subject: Taxation and Revenue - Income; Tax Credits; Disabilities; Housing
Type: Original
Date: January 29, 2007

Bill Summary: This proposal provides a tax credit for modifying a home for a disabled person.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state 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 and were not formerly used under the program where they were initially authorized. This will result in actual cost to GR of the full $100,000 more than was formerly being used.

DED would be required to administer the new tax credit program including promotion, creation of forms, review of applications, approval of amounts and all other functions associated with tax credit program administration. DED assumes the taxpayers will apply for the credit before doing any improvements. Given that DED will not know the federal adjusted gross income of the applicant/taxpayer at the time of application for the credit, DED will not know when to stop issuing credits so that the $100,000 limit is exceeded. In addition, DED will not know what credit amount to issue without seeing the receipts for the work done. DED will not be able to know whether the taxpayer should receive a reduction of the credit to 1/3rd the amount without seeing a federal tax return to see if any federal credit was awarded for the same work. This could cause problems if the federal credit is utilized in the year the state credit is applied for or the year after the state credit is received. DED will need to work closely with DOR to minimize these problems.

DED states the changes in this bill take unused tax credit cap from the Rebuilding Communities program and utilize them for tax credits to individuals that modify their homes for disabled persons. The cap of $100,000 for the disabled home tax credit comes from the $10 million overall cap. The credit is limited to $2,500 per taxpayer and credits must be used in the tax year in which they were issued and are refundable. The proposal would require DED to coordinate with the Dept. 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 has been roughly $3 million per year.

DED assumes the need for one FTE Economic Incentive Specialist III position (at $41,000 annually) to administer the disabled home tax credit program. DED assumes a cost of roughly $80,000 annually from this anticipated FTE.

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)

Officials from the **Department of Social Services (DOS)** assume the tax credit has no fiscal impact to their agency. If the Department of Revenue requested assistance from DOS to promulgate rules, this could be done with existing resources.

Officials from the **Department of Revenue (DOR)** state the proposal would have the following administrative impact:

Personal Tax assumes due to the documentation that DOR will have to have on each of the returns claiming this credit, Personal Tax will need 1 Tax Processing Tech for every 4,000 credit claims to handle the resolution, verification, processing and tracking of the credit and 1 Tax Season Temporary for key-entry. 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.

Customer Service 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 when the credit cap had been reached. However, customer service anticipates being able to handle the additional callers, with existing staff.

Office of Administration Information Technology (ITSD DOR) anticipates an implementation of this legislation within existing resources at a value of 5 CIT III for 2 months at a rate of $41, 860.

Officials from the **Office of Administration - Budget and Planning (BAP)** assumes the limit of $100,000 could be reached, thus there would be a negative impact of up to $100,000 to general and total state revenues. The proposal has no impact on the Office of Administration or BAP.

Officials from the **Office of the 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 Secretary of State's office 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 to the Secretary of State's Office for Administrative Rules is less than $2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services** assume the proposal would not fiscally impact their agency.

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.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if $100,000 of credits are issued, Oversight would assume $83,000 (83%) of credits to be redeemed, reducing Total State Revenues.

FISCAL IMPACT - State Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
Savings - Rebuilding Communities tax credit program (to new program)	$0 to $100,000	$0 to $100,000	$0 to $100,000
Costs - tax credit for making all or portion of dwellings accessible to an individual with a disability	$0 to ($100,000)	$0 to ($100,000)	$0 to ($100,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact

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
Office of Administration - Budget and Planning
Department of Revenue
Department of Social Services
Office of the Secretary of State
Department of Health and Senior Services

Mickey Wilson

Mickey Wilson, CPA
Director
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