

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3297-03
Bill No.: SB 711
Subject: County Officials; Courts; Political Subdivisions; Property, Real and Personal;
Public Officers; State Tax Commission; Taxation and Revenue - Property
Type: Original
Date: January 22, 2008

Bill Summary: Would modify certain provisions regarding property taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$1,210,000)	(\$2,520,000)	(\$3,830,000)
Total Estimated Net Effect on General Revenue Fund	(\$1,210,000)	(\$2,520,000)	(\$3,830,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> 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 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP), assume this proposal would not cause any added cost to their organization as a result of this bill.

BAP officials noted that this proposal would raise the maximum credit for the Circuit Breaker program from \$750 to \$1,100. A total of \$93.1 million in refunds was issued in FY07. Assuming all claimants received refunds at the maximum rate, this proposal would increase total refunds issued to \$136.5 million. It is unlikely that all claimants received the maximum refund; therefore, this proposal could lower general and total state revenues from \$0 to \$43.4 million.

In addition, BAP officials stated that this proposal would make changes in the way local governments set their tax levies, and would create new notification requirements for county clerks and assessors.

BAP officials deferred to the Department of Revenue, the Department of Social Services, and the Department of Elementary and Secondary Education as to the expected fiscal impact of the proposal.

Officials from the **Department of Revenue** (DOR) assume this proposal would not have a fiscal impact on their organization. DOR officials noted that the proposal would increase the property tax credit from \$750 to \$1,100 which would require individual income tax form and instruction changes, as well as MINITS changes.

DOR officials provided this estimate of the IT cost to implement the proposal. The Office of Administration, Information Technology Services Division (ITSD/DOR) assumes the IT portion of this request could be accomplished with existing resources, however; if priorities shift, additional FTE/overtime could be needed to implement. ITSD/DOR estimates that this legislation could be implemented utilizing 2 existing CIT III for 1 month for modifications to MINITS at an estimated cost of \$8,372.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would have no direct fiscal impact on their organization. DESE officials stated that the proposal would make numerous changes to various tax statutes, and assume the increase in the property tax deduction from \$750 to \$1,100 for a property tax credit could have an impact on local school districts. The qualifying income level for the tax credit stays the same. DESE officials assume this change would have minimal affect on local tax revenue and probably no impact on the foundation formula.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC) assume this proposal would increase the amount of Senior Citizen Property Tax (Circuit Breaker) tax credits by \$1.21 million in FY 2009, \$1.31 million in FY 2010, and \$1.31 million in FY 2011.

Oversight will use the EPARC estimate of revenue reductions for this fiscal note.

Officials from the **Missouri State Tax Commission** (TAX) assume this proposal would have no fiscal impact to their organization. TAX officials noted that this proposal would require county assessors to notify taxpayers by February 15 of real property assessment increases and, with the aid of the county clerk, to estimate the tax liability for the property upon which the assessments are increasing. According to the county assessors this new responsibility would require modifications to their current computer systems. It is unknown if the costs to modify the various computer programs would be substantial or minimal.

Oversight assumes that the changes to local assessment systems could be accomplished at minimal cost to the local governments.

Officials from **Linn State Technical College** and the **Metropolitan Community Colleges** assume this proposal would have no fiscal impact to their organizations.

Officials from the **Parkway School District** assume this proposal would have a fiscal impact of \$1,000 for their organization, to prepare property tax revenue estimates.

Oversight assumes this proposal would not have a significant impact on local government tax revenues, and that any additional costs to local governments would be minimal and could be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Revenue reduction - Department of Revenue</u>			
Additional tax credits	<u>(\$1,210,000)</u>	<u>(\$2,520,000)</u>	<u>(\$3,830,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,210,000)</u>	<u>(\$2,520,000)</u>	<u>(\$3,830,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

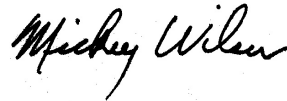
FISCAL DESCRIPTION

This proposal would raise the maximum credit for the Circuit Breaker program from \$750 to \$1100, would make various changes to the way local governments set their tax levies, and would create numerous new notification procedures for county clerks and assessors.

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

Office of Administration
Division of Budget and Planning
Department of Revenue
Department of Elementary and Secondary Education
University of Missouri
Economic Policy Analysis and Research Center
Linn State Technical College
Metropolitan Community Colleges
Parkway School District

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 22, 2008