

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5170-01
Bill No.: SB 1220
Subject: General Assembly; Tax Credits; Taxation and Revenue - General
Type: Original
Date: March 28, 2008

Bill Summary: This proposal modifies provisions of various state tax credit programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$144,000)	(\$144,000)	\$3,256,000
Total Estimated Net Effect on General Revenue Fund	(\$144,000)	(\$144,000)	\$3,256,000

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 **Department of Economic Development, Missouri House of Representatives, Missouri Senate, Missouri Ethics Commission** and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal modifies provisions of the Senior Property Tax Credit. BAP defers to DOR or EPARC for an estimate of reduced general and total state revenues.

This proposal eliminates two tax credits:

- 1) the sponsorship and mentoring tax credit which has not been issued in several years, and
- 2) the cellulose casing tax credit which was rendered moot with the passage of Senate Bill 30 from the 2007 session.

Therefore, this will have no impact on general and total state revenues.

This proposal prohibits the issuance of wood energy tax credits after FY 2010. This proposal will increase general and total state revenues by \$3.3 million annually.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the change in Section 135.030 that appears to impact school districts deals with the increase in the property tax deduction from \$750 to \$1,000 for a property tax credit. The qualifying income level for the tax credit stays the same. This would appear to have minimal affect on local tax revenue and probably no impact on the foundation formula.

Officials from the **Department of Natural Resources (DNR)** state under Section 135.305, no new tax credits would be authorized under the Wood Energy Tax Credit Program as of June 30, 2010.

The average annual tax credit certified by DNR is estimated at approximately \$2.6 million. The average annual tax credit savings is estimated at \$2.6 million less any outstanding tax credits that may be claimed during the five-year period following the issuance of such tax credits prior to June 30, 2010, the effective termination date for the Wood Energy Tax Credit under this proposal.

DNR is currently responsible for the Wood Energy Tax Credit (WETC) application process. Staff is assigned to review tax credit applications and to issue a certificate validating the amount

ASSUMPTION (continued)

of wood materials subject to the tax credit and the tax credit assigned to the applicant. Certification is issued to the WETC applicant and may be applied against the tax liability of the applicant in whole, or in part over a five-year period, following the certificate issuance.

DNR's Energy Center was charged with the responsibility of reviewing and approving applications for the Wood Energy Tax Credit. The department did not receive any additional resources to implement that program; therefore, eliminating the program would result in minimal personal service or equipment and expense related savings.

According to the Tax Credit Analysis for the Wood Energy program, the amount of tax credits issued have been \$3.3 million in FY 2005, \$3.5 million in FY 2006 and estimated to be \$3.4 million in FY 2007 - 2009. **Oversight** will assume an average savings of \$3.4 million from the sunset of this program.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center (EPARC)** stated the changes in Section 135.030 would decrease General Revenues by roughly \$144,000 per year.

Oversight will utilize EPARC's estimate of fiscal impact from changes to the Circuit Breaker program.

Oversight will utilize BAP's assumption that the removal of Section 260.285 (cellulose casings) would not have a fiscal impact on the State.

Oversight will assume no fiscal impact from the deletion of the Sponsoring/Mentoring program since the program is currently inactive.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Savings</u> - Department of Natural Resources			
No Wood Energy tax credits may be issued after June 30, 2010. (Section 135.305)	<u>\$0</u>	<u>\$0</u>	<u>\$3,400,000</u>
<u>Loss</u> - Department of Revenue			
Changes to the Circuit Breaker tax credit (Section 135.030)	<u>(\$144,000)</u>	<u>(\$144,000)</u>	<u>(\$144,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$144,000)</u>	<u>(\$144,000)</u>	<u>\$3,256,000</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

Small businesses that utilize the Wood energy tax credit could be fiscally impacted by this proposal starting in FY 2011.

FISCAL DESCRIPTION

This act requires all members of the General Assembly to file a financial interest statement with the Missouri Ethics Commission disclosing any state tax credits claimed on the most recent state income tax return of the member, the member's spouse, or the member's dependent child. The Department of Revenue must make information regarding state tax credits claimed by a member of the General Assembly available to the public.

FISCAL DESCRIPTION (continued)

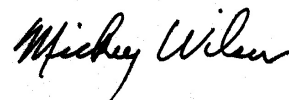
The maximum upper limit and minimum base amounts, for the senior citizen property tax credit for calendar year 2008, are extended to all subsequent calendar years. The maximum award under the senior citizen property tax credit program is increased from seven hundred fifty dollars to one thousand dollars.

As of June 30, 2010, no new tax credits may be authorized under the wood energy tax credit program. The act repeals the manufacturing and recycling flexible cellulose casing tax credit and the sponsorship and mentoring tax credit.

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

Missouri Ethics Commission
Missouri Senate
Missouri House of Representatives
Department of Revenue
Department of Economic Development
Office of Administration - Budget and Planning
Department of Natural Resources
Department of Elementary and Secondary Education



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Director
March 31, 2008