

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4647-02  
Bill No.: SCS for SB 675  
Subject: Elderly; Disabilities; Tax Credits; Taxation and Revenue-Property  
Type: Original  
Date: March 30, 2012

Bill Summary: This proposal would repeal the Missouri property tax credit for renters.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	More than \$53,172,808	More than \$53,172,808	More than \$53,172,808
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>More than \$53,172,808</b>	<b>More than \$53,172,808</b>	<b>More than \$53,172,808</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on FTE</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials noted that this proposal would remove provisions allowing renters to claim the Senior Property Tax Credit, and stated that based on FY 2011 data provided by the Department of Revenue, this proposal would increase General and Total State Revenues by \$55.8 million annually.

Officials from the **Department of Revenue** (DOR) assume this proposal would remove all references to rent and the amount of rent constituting property taxes in the provisions for the Missouri Property Tax Credit. DOR officials noted that in FY 2011 there were approximately 106,000 renters that received \$55.8 million in refunds that would no longer get the credit.

The DOR response did not indicate an administrative impact for DOR but included an estimate of the IT impact to implement the proposal of \$13,356 based on 504 hours of programming to make changes to DOR systems.

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

In response to a previous version of this proposal which would have eliminated the program for owners as well as renters, DOR officials stated that the Department hires temporary employees to key property tax credit claims each year. The savings associated with eliminating those temporary employees would be approximately \$90,000. The Department would also have savings of approximately \$9,000 per year related to printing Property Tax Credit Forms, savings of approximately \$12,000 for postage related to tax books, and savings of approximately \$15,450 for postage and printing costs related to notices. Finally, DOR officials assumed that DOR would receive contacts from most of the individuals that would no longer be eligible for the credit, and DOR would need staff currently used to process the claims to answer telephone calls, e-mails, and letters sent by prior claimants.

ASSUMPTION (continued)

Finally, DOR officials provided an estimate of approximately 220,000 filers for the entire Property Tax Credit Program in FY 2011.

**Oversight** assumes DOR would have a reduction in cost for the repeal of the renters' portion of the program proportional to the estimate of cost for eliminating the entire program. DOR could potentially have a staff reduction after the program changes become effective. For fiscal note purposes, Oversight will indicate an unknown cost reduction for DOR for FY 2013, FY 2014, and FY 2015.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center**, (EPARC) stated that if enacted, this proposal would repeal the renters' portion of the Missouri Property Tax Credit, commonly referred to as the circuit breaker tax credit, which allows certain renters and property owners to receive a tax credit for property taxes paid or rent constituting taxes paid.

EPARC officials reported that their baseline data for 2010 indicated that renters currently receive \$53,172,808 in property tax credits. Therefore, repealing those provisions would result in an increase in revenue of \$53,172,808.

For fiscal note purposes, **Oversight** will use the EPARC estimate of reduction in property tax credits for renters. Oversight notes that the actual amount of property tax credit which renters might claim in future years would vary. This proposal would eliminate the provisions which currently allow renters to claim a property tax credit, and we assume the proposal would become effective for 2012 returns filed in 2013 (FY 2013).

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE FUND</b>			
<u>Additional revenue</u> - Repeal of property tax credit provisions for renters	<u>\$53,172,808</u>	<u>\$53,172,808</u>	<u>\$53,172,808</u>
<u>Cost reduction</u> - Department of Revenue Elimination of property tax credit for renters	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>More than \$53,172,808</u></b>	<b><u>More than \$53,172,808</u></b>	<b><u>More than \$53,172,808</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2013 (10 Mo.)	 FY 2014	 FY 2015
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

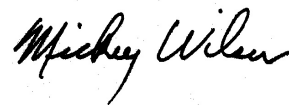
The proposed legislation would repeal the property tax credit currently available to renters.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
University of Missouri  
    Economic and Policy Analysis Research Center



Mickey Wilson, CPA  
Director  
March 30, 2012

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