COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5365-02
Bill No.: HCS for SB 668
Subject: County Officials; Taxation and Revenue - Property
Type: Original
Date: May 3, 2012

Bill Summary: This proposal changes laws relating to property tax bills.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	$0	$0 to ($120,000)	$0 to ($120,000)
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0 to ($120,000)**	**$0 to ($120,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Corrections**, **Office of the State Treasurer**, **Department of Public Safety - Division of Fire Safety**, **Office of the State Courts Administrator**, **Department of Labor and Industrial Relations**, **Department of Economic Development**, **Missouri Senate**, **Department of Insurance, Financial Institutions and Professional Registration** and **State Tax Commission** each assume the current proposal would not fiscally impact their respective agencies.

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 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 $2,500. 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Section 143.115

In response to an identical proposal for this section, HB 1055, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed the proposal would not result in additional costs or savings to their organization. BAP officials assume this proposal would create a tax deduction for the costs incurred for the construction of a storm shelter. The aggregate amount of deductions allowed would be $2 million per fiscal year. At the 6% marginal income tax rate, the proposal could reduce General and Total State Revenue by up to $120,000 annually.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow a deduction for the costs of constructing a storm shelter. For years beginning on or after January 1,

ASSUMPTIONS (continued)

2013, taxpayers would be allowed to deduct the lesser of the costs incurred or $5,000. No taxpayer could claim a deduction more than once under this section, the aggregate amount of deductions allowed could not exceed two million dollars, and deductions would be allowed on a first-come, first-served basis.

DOR could create rules to implement these provisions, and the program would sunset six years after the effective date unless re-authorized by the General Assembly. DOR officials assume the department would need to make form changes.

DOR officials estimated that Personal Tax would need two additional Temporary Tax Employees for key entry, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 errors, and one FTE additional Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence; Collections and Tax Assistance would need one additional FTE Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line, with CARES equipment, one additional FTE Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the non-delinquent tax line, with CARES equipment, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 contacts annually to the field offices, with CARES equipment.

The DOR estimate of cost to implement this proposal including two temporary tax employees and five additional employees, with the related equipment and expense, was $214,685 for FY 2013, $218,947 for FY 2014, and $221,140 for FY 2015.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly $6,000.

Oversight notes that this proposal would provide a maximum deduction for an individual filer of five thousand dollars with an aggregate maximum of two million dollars in deductions per state fiscal year. The maximum overall revenue reduction for this proposal would be ($2,000,000 x 6%) = $120,000 per year. The deduction would be limited to ($5,000 x 6%) = $300 per filer and would be available on a first-come, first-served basis. Oversight assumes that ($2,000,000 / $5,000) = 400 filers would be able to claim the deduction each fiscal year.

Oversight could not find any information regarding the cost of a storm shelter nor the number of storm shelters constructed in Missouri. However, based on the limited amount of deductions available and the limited number of filers who could use this deduction, Oversight assumes these claims could be processed with existing resources. If unanticipated additional costs are incurred

ASSUMPTIONS (continued)

or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

DOR officials also provided this estimate of the IT cost to implement the proposal. Officials from the **Office of Administration - Information Technology Services Division (OA-ITSD/DOR)** estimate the IT portion of this request could be implemented at a cost of $13,356 based on 504 hours of programming for 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 an identical proposal for this section, officials from the **University of Missouri - Economic Policy Analysis and Research Center (EPARC)**, assumed the proposal would, if enacted, authorize a one-time income tax deduction to a taxpayer for the cost of construction or $5,000, whichever is less, of a storm shelter which was made in America. The aggregate amount of tax deductions which could be issued under the bill in any one fiscal year could not exceed $2,000,000.

EPARC officials stated that although they were not able to estimate the demand for storm shelters and calculate a precise impact on the General Revenue Fund, they could estimate a maximum impact. Since the aggregate limit on these deductions is $2,000,000, the maximum impact would be $2,000,000 at the highest tax rate of 6%, or $120,000. EPARC officials concluded this proposal could potentially reduce Net General Revenue by $120,000 every year it is in effect.

Officials from the **Department of Elementary and Secondary Education** assume the proposal, if enacted, could result in tax subsidies that would reduce the state's tax revenue and decrease the amount of money available for public schools and all public school students. The aggregate amount of tax deductions which could be issued under the bill in any one fiscal year could not exceed $2,000,000.

Oversight will indicate a range of fiscal impact to the General Revenue Fund from $0 (no deductions claimed) to $120,000 (the program cap). The deduction would be available for tax years beginning on or after January 1, 2013, and Oversight assumes these deductions would first be claimed on 2013 tax returns filed in FY 2014. This proposal could reduce state revenue.

ASSUMPTIONS (continued)

Officials from the **County of St. Louis** assume the current proposal would not fiscally impact their local government.

Officials from the **Cities of Ashland**, **Belton**, **Bernie**, **Bonne Terre**, **Boonville**, **California**, **Cape Girardeau**, **Clayton**, **Columbia**, **Dardenne Prairie**, **Excelsior Springs**, **Florissant**, **Frontenac**, **Fulton**, **Gladstone**, **Grandview**, **Harrisonville**, **Independence**, **Jefferson City**, **Joplin**, **Kansas City, Kearney**, **Kennett**, **Knob Noster**, **Ladue**, **Lake Ozark**, **Lebanon**, **Lee Summit**, **Liberty**, **Linn**, **Louisiana**, **Maryland Heights**, **Maryville**, **Mexico**, **Monett**, **Neosho**, **O'Fallon**, **Pacific**, **Peculiar**, **Popular Bluff**, **Raytown**, **Republic**, **Richmond**, **Rolla**, **Sedalia**, **Springfield**, **St. Charles**, **St. Joseph**, **St. Louis**, **St. Robert**, **Sugar Creek**, **Sullivan**, **Warrensburg**, **Warrenton**, **Webb City**, **Weldon Spring** and **West Plains** did not respond to Oversight's request for fiscal impact.

Officials from the **Counties of Andrew**, **Barry**, **Bates**, **Boone**, **Buchanan**, **Butler**, **Callaway**, **Camden**, **Cape Girardeau**, **Carroll**, **Cass**, **Clay**, **Cole**, **Cooper**, **DeKalb**, **Franklin**, **Greene**, **Hickory**, **Holt**, **Jackson**, **Jasper**, **Jefferson**, **Johnson**, **Knox**, **Laclede**, **Lafayette**, **Lawrence**, **Lincoln**, **Marion**, **Miller**, **Moniteau**, **Monroe**, **Montgomery**, **New Madrid**, **Nodaway**, **Ozark**, **Pemiscot**, **Perry**, **Phelps**, **Platte**, **Pulaski**, **Scott**, **St. Charles**, **St. Francois**, **Taney**, **Texas**, **Warren**, and **Webster** did not respond to Oversight's request for fiscal impact.

FISCAL IMPACT - State Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
Revenue reduction - additional deductions for storm shelter § 143.115	$0	$0 to ($120,000)	$0 to ($120,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**$0 to ($120,000)**	**$0 to ($120,000)**

FISCAL IMPACT - Local Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
	$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

Office of the State Treasurer
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Missouri Senate
Department of Economic Development
Department of Labor and Industrial Relations
Office of the Secretary of State
Department of Elementary and Secondary Education
State Tax Commission
Department of Public Safety
Office of the State Courts Administrator
Department of Corrections
University of Missouri
    Economic Policy Analysis and Research Center
Office of Administration
    Division of Budget and Planning
County of St. Louis

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May 3, 2012

LR:LR:OD