

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1745-01
Bill No.: Perfected SB 350
Subject: Elderly; Disabilities; Revenue Department; Tax Credits; Taxation and Revenue - Property
Type: Original
Date: March 27, 2013

Bill Summary: This proposal would eliminate the renters' portion of the Senior Citizens Property Tax Credit, and would create the Missouri Senior Services Protection Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue *	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund *	\$0	\$0	\$0

* Net of additional revenue and transfers.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Missouri Senior Services Protection	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	Unknown	Unknown	Unknown

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

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

BAP officials noted this proposal would remove provisions allowing renters to claim the Senior Property Tax Credit. Based on FY 2012 data, the increased revenues would be deposited into the newly created Missouri Senior Services Protection Fund.

Data provided to BAP by the Department of Revenue shows that \$57.0 million of Property Tax Credits was issued specifically under the renters' provisions in FY 2012.

BAP officials noted this proposal could be subject to Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would remove statutory references to rent equivalent to taxes paid and the amount of \$750 in rent constituting property taxes actually paid. The Director of Revenue would calculate the amount of the tax credit redeemed in fiscal year 2012 for rent constituting property taxes. Beginning in fiscal year 2014, an amount equal to that would annually be deposited in the Missouri Senior Services Protection Fund. Moneys in the fund would be allocated for services for low-income seniors and people with disabilities.

The proposal would create the "Missouri Senior Services Protection Fund." The State Treasurer would be custodian of the fund, and could approve disbursements. The fund would be a dedicated fund and, upon appropriation, money in the fund would be used solely for services for low-income seniors and people with disabilities.

Administrative impact

The Department and ITSD - DOR would need to make programming changes to various tax systems.

ASSUMPTION (continued)

Oversight notes that DOR did not indicate any cost other than for computer programming, and Oversight will assume for fiscal note purposes that DOR could absorb any other cost to implement this program with existing resources.

Fiscal impact

DOR officials stated that in FY 2011, there were approximately 106,000 renters that received \$55.8 million in refunds that would no longer receive the credit. DOR officials also stated that no renter would be able to claim the tax credit after the repeal of the provisions was effective.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$13,633 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.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** stated this proposal would, if enacted, 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. The proposal would also create the Missouri Senior Services Protection Fund.

EPARC officials noted their baseline data for 2011 indicates that renters currently receive \$54,040,998 in property tax credits. Therefore, EPARC assumes there would be an increase in General Revenue Fund collections of \$54,040,998 due to the repeal of the renters' portion of the Missouri Property Tax Credit. This estimate would also apply to each future year after the repeal. BAP officials stated that their best estimate of tax credits redeemed in fiscal year 2012 for rent constituting property would also be \$54,040,998.

ASSUMPTION (continued)

Beginning in fiscal year 2014, this proposal would require an annual deposit of that amount to the Missouri Senior Services Protection Fund created in the proposal. Moneys in the fund could be appropriated for low-income seniors and people with disabilities.

EPARC officials noted the proposal would result in an increase in revenue for the General Revenue Fund of \$54.04 million.

Officials from the **Office of the Secretary of State**, the **Office of the State Treasurer**, and the **Department of Health and Senior Services** each assume the proposal would not fiscally impact their respective agencies.

Oversight will use the BAP estimate of \$57 million in additional revenue for the General Revenue Fund. Oversight notes the repeal would become effective August 28, 2013 and assumes the proposal would first affect tax returns for 2013 which would be filed beginning January 2014 (FY 2014). Oversight will also include annual transfers of that same amount to the newly created Missouri Senior Services Protection Fund beginning in FY 2014 as required in the proposal.

Oversight will assume, for fiscal note purposes, that the General Assembly could appropriate expenditures from the funds in the Missouri Senior Services Protection Fund beginning with the funds to be transferred in FY 2014 and will include a cost up to \$57 million per year for expenditures from the fund.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Additional Revenue - DOR</u>			
Renters' portion of property tax credit repealed			
Section 135.010, 135.025, and 135.030	\$57,000,000	\$57,000,000	\$57,000,000
<u>Transfer - Missouri Senior Services Protection Fund</u>			
Section 135.025	<u>(\$57,000,000)</u>	<u>(\$57,000,000)</u>	<u>(\$57,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
MISSOURI SENIOR SERVICES PROTECTION FUND			
<u>Transfer - General Revenue Fund</u>			
Section 135.025	\$57,000,000	\$57,000,000	\$57,000,000
<u>Expenditures - Services for low income seniors and disabled persons</u>			
Section 135.025	(Up to <u>\$57,000,000</u>)	(Up to <u>\$57,000,000</u>)	(Up to <u>\$57,000,000</u>)
ESTIMATED NET EFFECT ON MISSOURI SENIOR SERVICES PROTECTION FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<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 eliminate the Senior Citizens Property Tax Credit for renters. The Department of Revenue would be required to calculate the cost of the renter's portion of the tax credit program in fiscal year 2012. Beginning with fiscal year 2014, an amount equal to that cost would be deposited into the newly created Missouri Senior Services Protection Fund. Moneys in the new fund would be used for services for low-income seniors and disabled persons.

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 Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
Office of Administration - Division of Budget and Planning
Department of Health and Senior Services
Department of Revenue
University of Missouri
Economic and Policy Analysis Research Center



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March 27, 2013