

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4371-01
Bill No.: Truly Agreed To and Finally Passed SB 601
Subject: Energy; Taxation and Revenue - Income
Type: Original
Date: June 5, 2014

Bill Summary: This proposal would extend the current deduction for energy efficiency audits and projects for 2014 through 2020.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 143.121, RSMo. - Deductions for energy audit and efficiency projects:

Although they did not respond to our request for information, officials from the **Office of the Secretary of State (SOS)** stated in response to a previous version of this proposal that 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would renew the deduction for the costs of qualifying home energy audits.

BAP officials noted the Department of Revenue provided the data in the chart below. Further, BAP officials noted the highest annual amount deducted was \$768,725. At the full 6% tax rate, this would reduce general and total state revenues \$46,124. BAP officials assume this proposal would reduce Total State Revenues by similar amounts.

ASSUMPTION (continued)

Year	Number of Deductions Claimed	Amounts Deducted			Revenue Reduction at 6% Tax Rate
		Primary	Secondary	Total	
2009	541	\$283,602	\$100,222	\$383,824	\$23,029
2010	1,011	\$555,061	\$213,664	\$768,725	\$46,124
2011	564	\$292,435	\$136,674	\$429,109	\$25,747
2012	357	\$198,685	\$73,645	\$272,330	\$16,340
2013	8	\$3,972	\$250	\$4,222	\$253
Totals	2,481	\$1,333,755	\$524,455	\$1,858,210	\$111,493

Officials from the **Department of Revenue** assume the proposal would not impact their department, but would reduce revenue.

Oversight assumes this proposal would extend an existing provision by removing or changing the expiration date. Oversight assumes removing or changing the expiration date would extend any fiscal impact associated with the existing provision. Based on the BAP response, Oversight assumes extending this program would result in a revenue reduction less than \$100,000 per year.

Oversight notes the provisions expired December 31, 2013 and the proposal would authorize the deduction for years beginning January 1, 2014. Oversight will include the revenue reduction resulting from this proposal would begin when tax returns are filed for 2014, beginning in January of 2015 (FY 2015) and will include an impact for FY 2015, FY 2016, and FY 2017 in this fiscal note.

Officials from the **Joint Committee on Administrative Rules**, the **Department of Economic Development - Division of Energy**, and the **Department of Natural Resources** assume this proposal would have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - Deductions for energy audit and efficiency projects Section 143.121	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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.

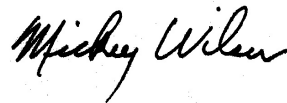
FISCAL DESCRIPTION

This proposal would extend the current income tax deduction for energy efficiency audits and implementation cost for the recommendations of such audits from January 1, 2014 to December 31, 2020.

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
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Economic Development
 Division of Energy
Department of Natural Resources
Department of Revenue



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June 5, 2014

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June 5, 2014