COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4409-05
Bill No.: Perfected SS for SCS for SB 666
Subject: Property, Real and Personal; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: March 5, 2014

Bill Summary: This proposal would create a one-time income tax credit equal to 0.75% of the value of a taxpayer's residential real property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Less than $384,000,000 to Unknown)	$0	$0
Total Estimated Net Effect on General Revenue Fund	**(Less than $384,000,000 to Unknown)**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on All 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 143.810, RSMo. - Income Tax Credit for Owners of Residential Real Property

Officials from the **Office of the Secretary of State (SOS)** assumed 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 not result in any additional costs or savings to their organization.

BAP officials noted the proposal would create a 0.75% refundable tax credit based on the assessed value of taxpayers' residential property. The State Tax Commission, in its 2012 annual report, provided an aggregate residential value of $51.195 billion in 2012. Therefore, this proposal may reduce Total State Revenues by $384 million in FY 2015.

BAP officials assumed the proposal would impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** provided the following response to a previous version of this proposal.

DOR officials assumed the proposal would create a one-time income tax credit equal to 75 hundredths of a percent of the assessed value of a taxpayer's residential real property. The taxpayer must own the property on January 1, 2014. The Department would refund the credit if it exceeded the taxpayer's tax liability.

ASSUMPTION (continued)

Fiscal impact

DOR officials stated the State Tax Commission reported a total of approximately $51.2 billion in residential property assessed valuation in 2012. Since the tax credit would be equal to 75 hundredths of a percent, the proposal would have an estimated negative impact of $384 million on Total State Revenue.

DOR officials assumed Personal Tax would require forms changes and IT support to implement this proposal. In addition, Personal Tax would require one additional Revenue Processing Technician I for additional credits claimed.

DOR officials noted the proposal would not exclude corporations as owners, so Corporate Tax assumes this credit would apply to corporate taxpayers. DOR officials assume Corporate Tax would require three additional Revenue Processing Technician I for additional tax credit redemptions, error correction, and corespondence.

DOR officials assumed Collections and Tax Assistance (CATA) would have a substantial increase in contacts from customers and adjustment notices, and that CATA would require two additional Tax Collection Technicians I for additional contacts on the delinquent and non-delinquent tax lines and one additional Revenue Processing Technician I for additional contacts to the field offices.

All of the additional technicians would require CARES equipment and license.

The DOR response included seven additional employees, and with the related equipment and expense, totaled $296,172 for FY 2015, $289,483 for FY 2016, and $292,496 for FY 2017.

Oversight notes this proposal would allow a one-time tax credit which would be based on 0.75 percent of the assessed value of a taxpayer's residential real property owned as of January 1, 2014. Oversight assumes the Department of Revenue would be required to develop and process a new tax credit form for filers to claim the credit, and assumes this proposal would be implemented with form and procedure design, temporary tax return processing employees, and IT support.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of $22,932 in IT cost to implement this proposal based on 840 hours of programming to make changes to DOR programs.

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.

For fiscal note purposes, **Oversight** will indicate an unknown cost to develop the forms and procedures for this program, and for temporary employees to process the forms. Oversight assumes no additional permanent employees would be required, and assumes the Department of Revenue would not have any cost related to this program after FY 2015.

Oversight notes this proposal would restrict the credit to resident owners of property located in the state. Residents would have to own the property as of January 1, 2014 and have paid the property taxes on the property. The credit for a jointly owned property would be allocated among the owners, and a property could only qualify for one tax credit under this program.

Oversight notes the estimated $51.2 billion in assessed valuation of residential property provided by the State Tax Commission would include all residential property located in the state. Oversight assumes there would be properties owned by nonresidents which would not qualify for the credit; in addition, a property with delinquent taxes would not qualify for the credit. Oversight assumes the fiscal impact of this proposal would be less than the calculated amount of ($51,200,000,000 x .0075) = $384,000,000.

Officials from **St. Louis County** and the **City of Columbia** assume this proposal would not have a fiscal impact to their organizations.

Officials from the **Joint Committee on Administrative Rules**, the **State Tax Commission**, **Cole County**, the **City of Kansas City**, and the **Fulton Public Schools** assumed a previous version of this proposal would not have a fiscal impact to their organizations.

ASSUMPTION (continued)

Officials from the **Special School District of St. Louis County** provided a response, but it did not indicate a direct fiscal impact to their organization.

Officials from the **St. Louis County Directors of Elections** assumed a previous version of this proposal would not have a fiscal impact to their organization.

Not responding

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, 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 our request for information.

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V , Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Spickard, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
Cost - DOR Administration and processing Residential property tax credit program Section 143.810	(Unknown)	$0	$0
Revenue reduction - DOR Residential property tax credits Section 143.810	(Less than $384,000,000)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(Less than $384,000,000 to Unknown)**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which own residential real property.

SAS:LR:OD

FISCAL DESCRIPTION

This proposal would create a one-time income tax credit equal to 0.75% of the value of a taxpayer's residential real property. The credit would be restricted to resident owners of property located in the state, and residents would have to own the property as of January 1, 2014 and have paid the property taxes on the property to qualify for the credit. The credit for a jointly owned property would be allocated among the owners, and a property would be limited to one tax credit under this program.

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

SAS:LR:OD

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Department of Revenue
State Tax Commission
Cole County
St. Louis County
City of Columbia
City of Kansas City
Fulton Public Schools
Special School District of St. Louis County
St. Louis County Directors of Elections

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March 5, 2014

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March 5, 2014

SAS:LR:OD